

**UKIAH UNIFIED SCHOOL DISTRICT
COUNTY OF MENDOCINO
UKIAH, CALIFORNIA**

05080

**ANNUAL FINANCIAL STATEMENTS
JUNE 30, 2008**

UKIAH UNIFIED SCHOOL DISTRICT
ORGANIZATION
JUNE 30, 2008

The Ukiah Unified School District was established on July 1, 1965 and is comprised of an area of approximately 494 square miles located in Mendocino County. There was no change in District boundaries during the year. The District operates eight elementary schools, two middle schools, one high school, and a continuation high school. The District also operates a child development program and an adult education program.

BOARD OF EDUCATION

<u>Name</u>	<u>Office</u>	<u>Term of Expires</u>
Beatriz Arkin	President	December, 2009
Mike Sequeira	Vice President	December, 2009
Myrinda Head	Clerk	December, 2011
David Johnston	Member	December, 2011
Naomi Engstrom	Member	December, 2009
A.R. "Buck" Ganter	Member	December, 2011
Kathy James	Member	December, 2009

ADMINISTRATION

Dr. Lois J. Nash
Superintendent

Bryan Barrett
Assistant Superintendent – Personnel and Student Services

Cindy Plank*
Director of Fiscal Services

* Ms. Tu My Vuong became Director of Fiscal Services on August 11, 2008.

UKIAH UNIFIED SCHOOL DISTRICT
JUNE 30, 2008

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JUNE 30, 2008

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Boceta & Associates

Certified Public Accountants
600 Anton Blvd., 11th Floor
Costa Mesa, CA 92626
(714) 371-4042 - (714) 465-3154 Fax

Independent Auditors' Report

Board of Education
Ukiah Unified School District
Ukiah, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ukiah Unified School District (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2008, and the respective changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report considering the results of our audit.

The Management's Discussion and Analysis and the budgetary information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying statistical tables are presented for purposes of additional analysis as required by the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2007/08*, and are also not a required part of the basic financial statements of the District. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not required part of the basic financial statements. The combining and individual non-major fund financial statements and the statistical tables, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Becker & Associates

February 23, 2009

UKIAH UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2008

INTRODUCTION

Our discussion and analysis of Ukiah Unified School District (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2008. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ❑ Total net assets were \$30,991,043 at June 30, 2008. This was an increase of \$4,876,270 from the prior year.
- ❑ Overall revenues were \$69,093,473, which is an excess of revenues over expenditures of \$64,217,203 by \$4,876,270.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ❑ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- ❑ **Fund financial statements** focus on reporting the individual parts of the District operations in more detail. The fund financial statements comprise the remaining statements.
 - **Governmental funds** statements tell how general government services were financed in the short term as well as what remains for future spending.
 - **Proprietary fund** statements provide both short and long-term information about the District's internal service fund.
 - **Fiduciary funds** statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets- the difference between the assets and liabilities- is one way to measure the District's financial health or position.

- ❑ Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- ❑ To assess the overall health of the District, one needs to consider additional non financial factors such as changes in enrollment, changes in the property tax base, changes in program funding by the Federal and State governments, and condition of facilities.

The government-wide financial statements of the District include government activities. Most of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Revenue limit funding and federal and state grants finance most of these activities.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Assets

The District's combined net assets were \$30,991,043 at June 30, 2008. See Table 1.

Table 1:
Net Assets

	Governmental Activities		Total Percentage Change
	2008	2007	2007-08
Assets			
Cash	\$ 33,534,247	\$ 12,709,625	163.85%
Other Current Assets	5,940,543	14,779,565	-59.81%
Capital Assets, Net of Accumulated Depreciation	78,865,092	67,652,155	16.57%
Total Assets	118,339,882	95,141,345	24.38%
Liabilities			
Current Liabilities	2,508,510	4,520,889	-44.51%
Long-Term Liabilities	84,840,329	64,505,683	31.52%
Total Liabilities	87,348,839	69,026,572	26.54%
Net Assets			
Invested in Capital Assets, Net of Related Debt	27,324,863	27,136,190	0.70%
Restricted	3,391,293	8,413,184	-59.69%
Unrestricted	274,887	(9,434,601)	97.09%
Total Net Assets	\$ 30,991,043	\$ 26,114,773	18.67%

Changes in Net Assets

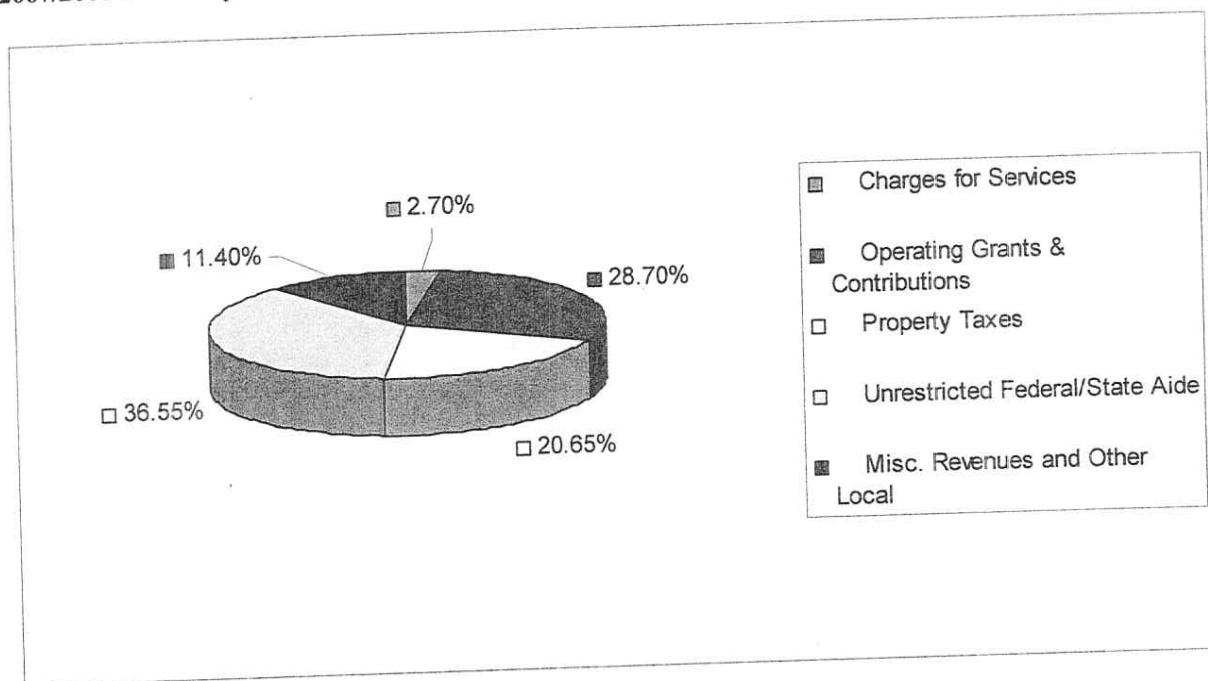
The District's total revenues were \$69,093,473. A majority of the revenue comes from Federal and State aid not restricted to specific purposes 37%. Taxes accounted for 21% of revenues. Program revenues accounted for 31%. All other revenues and miscellaneous sources accounted for the remaining 11%.

The total cost of all programs and services was \$64,217,203. The District's expenses are predominately related to instruction and instruction-related services 75%. Pupil services (including transportation and food) account for 9% of revenues. Administrative activities accounted for 5% of total costs. Plant services, which represent the facilities maintenance and operations costs, account for 9% of all costs. All other remaining expenses were 2%.

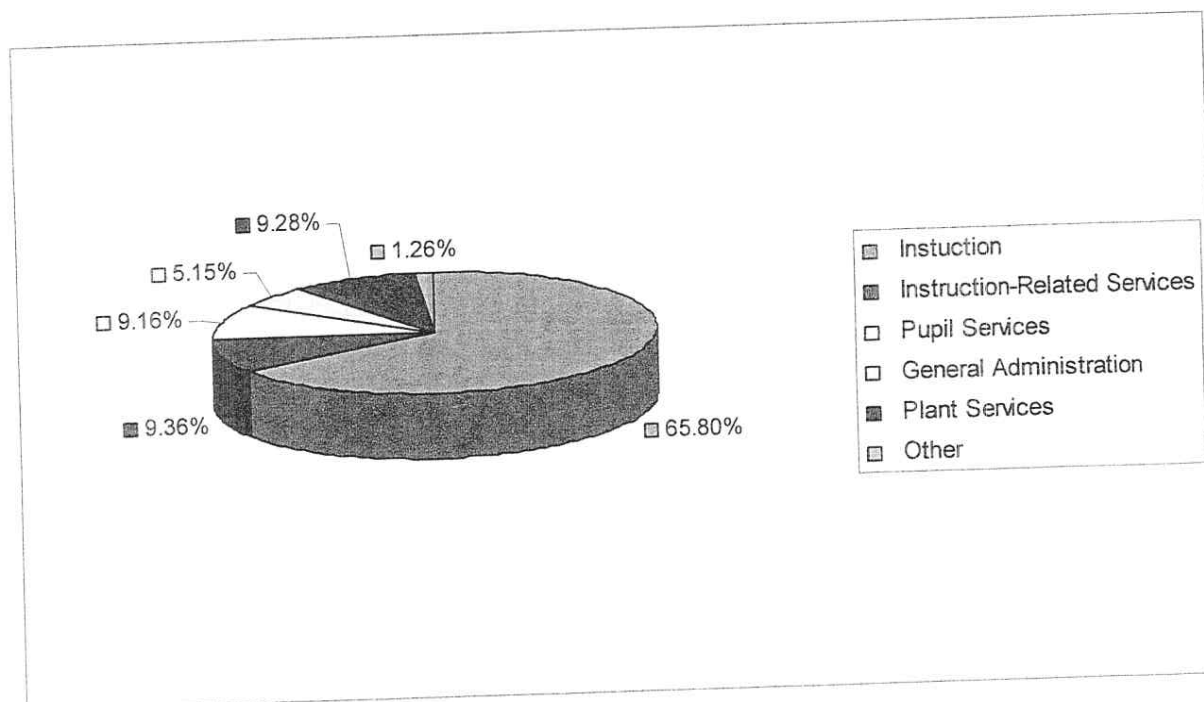
Table 2:
Changes in Net Assets

	Governmental Activities		Total Percentage
	2008	2007	Change 2007-08
Revenues			
Program Revenues:			
Charges for Services	\$ 1,864,119	\$ 1,512,505	23.25%
Operating Grants & Contributions	19,821,018	21,117,085	-6.14%
Capital Grants & Contributions	40,232	1,643,136	
General Revenues:			
Property Taxes	14,257,322	13,726,345	3.87%
Unrestricted Federal/State Aide	25,239,084	24,685,562	2.24%
Misc. Revenues and Other Local	7,871,698	2,715,504	189.88%
Total Revenues	69,093,473	65,400,137	5.65%
Program Expenses			
Instruction	42,257,590	34,423,457	22.76%
Instruction-Related Services	6,007,712	5,754,740	4.40%
Pupil Services	5,880,096	5,937,258	-0.96%
General Administration	3,305,061	4,493,421	-26.45%
Plant Services	5,960,620	6,199,057	-3.85%
Other	806,124	5,781,979	-86.06%
Total Expenses	64,217,203	62,589,912	2.60%
Net Increase (Decrease) in Net Assets	4,876,270	2,810,225	73.52%
Beginning Net Assets	26,114,773	23,304,548	12.06%
Ending Net Assets	\$ 30,991,043	\$ 26,114,773	18.67%

2007/2008 Summary of Revenues for Governmental Functions



2007/2008 Summary of Expenses for Governmental Functions



Governmental Activities

The net cost of all governmental activities this year was \$ 42,491,834.

Net cost is total cost less fees generated by the related activity. The net cost reflects what was funded by charges for services, operating grants, capital grants, and contributions.

Table 3:
Net Cost of Governmental Activities

	Governmental Activities		Total Percentage Change
	2008	2007	2007-08
Net Cost of Services			
Instruction	\$ 28,052,067	\$ 19,624,642	42.94%
Instruction-Related Services	4,031,522	4,161,950	-3.13%
Pupil Services	1,480,354	1,497,847	-1.17%
General Administration	2,396,291	3,489,400	-31.33%
Plant Services	5,739,413	4,561,530	25.82%
Other	792,187	4,981,817	-84.10%
Total Net Cost of Services	<u>\$ 42,491,834</u>	<u>\$ 38,317,186</u>	<u>10.89%</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds-not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law and by bond covenants. The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that the District is meeting legal responsibilities for using certain revenues. The District has two kinds of funds:

- Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the government funds statements that explain the relationship (or differences) between them.
- Proprietary Fund - Proprietary fund uses the full accrual accounting, the same as the District-wide statements. The District currently has one type of proprietary fund, an internal service fund. The internal service fund of the District is the Health and Welfare Fund used to account for the cost of claims.

- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others; for the district, the student body activities fund is an agency fund. The District is responsible for ensuring that assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use the assets to finance its operations.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$35,641,750, an increase of \$13,283,090 over last year's ending fund balance of \$22,358,660.

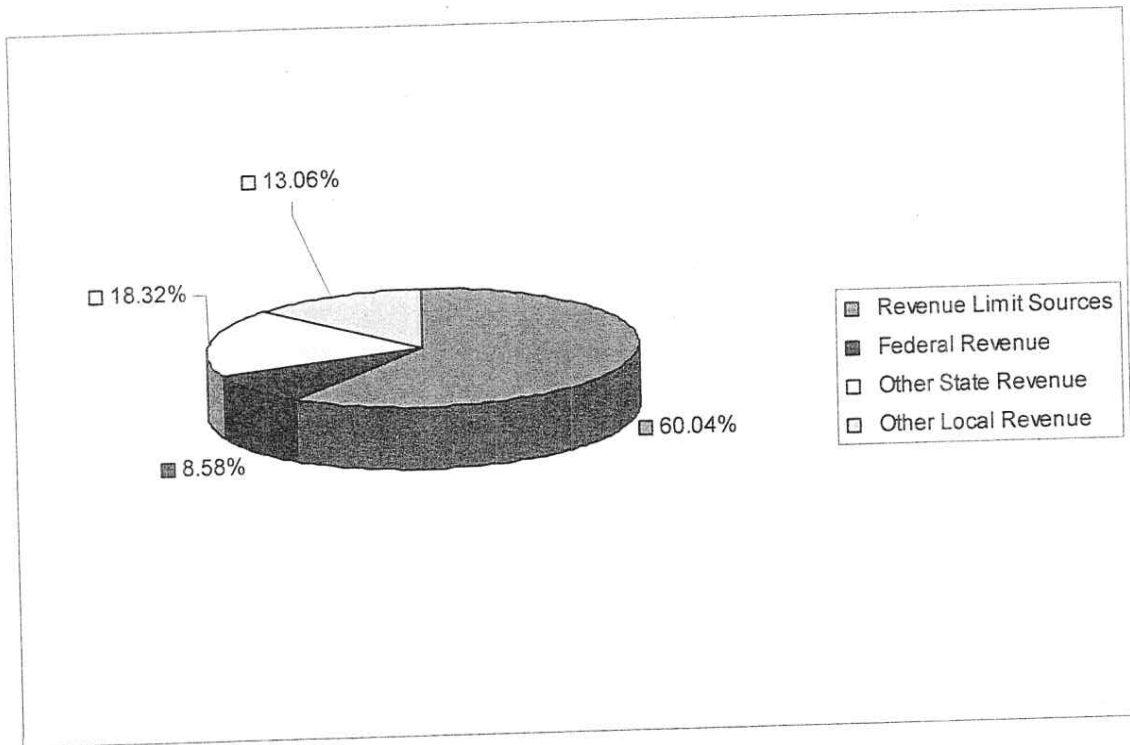
Table 4:
Governmental Funds Comparison

	Governmental Activities		Total Percentage
	2008	2007	Change
Governmental Funds			
General	\$ 6,344,056	\$ 5,126,305	23.75%
Building	24,237,626	4,808,970	404.01%
Corporation Building	-	5,627,152	-100.00%
Adult Education	923,738	629,221	46.81%
Child Development	108,162	147,619	-26.73%
Cafeteria	48,387	65,312	-25.91%
Deferred Maintenance	217,669	728,233	-70.11%
Special Reserve Fund for Post Employment Benefits	200,291	-	100.00%
Capital Facilities	760,725	645,870	17.78%
County School Facilities	108,561	1,836,037	-94.09%
Special Reserve Fund for Capital Outlay Projects	283,849	-	100.00%
Bond Interest and Redemption	1,245,609	4,565	27186.07%
Corporation Debt Service	2	1,898,372	-100.00%
State School Building	-	22,915	-100.00%
Override Building Voted Tax Fund	1,163,075	818,089	42.17%
Total Governmental Funds	<u>\$ 35,641,750</u>	<u>\$ 22,358,660</u>	<u>59.41%</u>

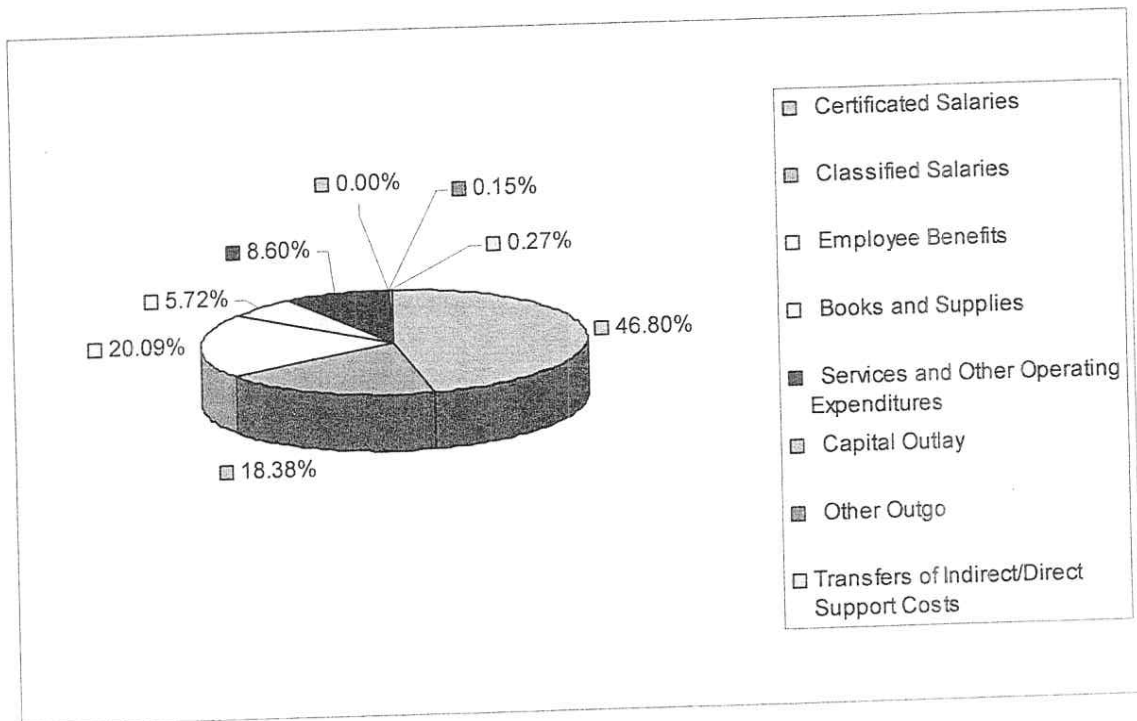
General Fund

The following charts graphically depict revenues and expenditures, both by major object as well as by function.

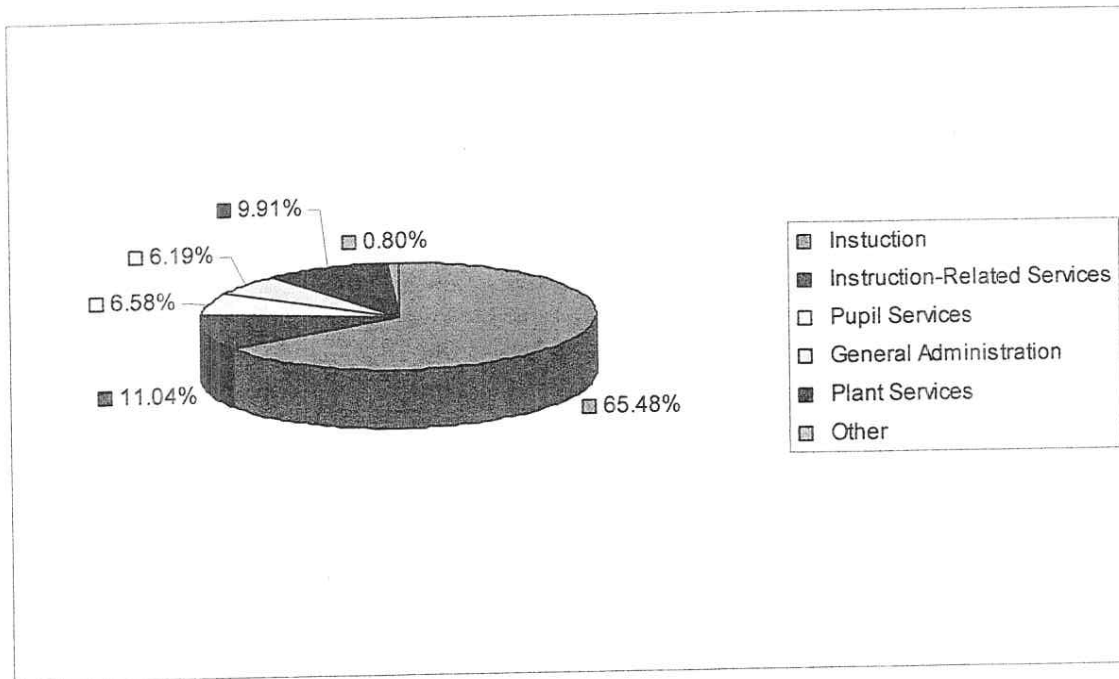
2007/2008 General Fund Revenues



2007/2008 General Fund Expenditures by Object



2007/2008 General Fund Expenditures by Function



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$78,865,092 in a broad range of capital assets, including land, buildings and improvements, equipment and vehicles. See Table 5. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Table 5
Capital Assets

	Governmental Activities		Total Percentage
	2008	2007	Change 2007-08
Land Improvements	\$ 1,599,928	\$ 1,599,928	0.00%
Land	4,594,438	4,594,438	0.00%
Buildings	83,879,417	62,731,781	33.71%
Machinery and Equipment	3,493,045	3,493,045	0.00%
Work in Progress	10,817,599	19,388,472	-44.21%
Total Accumulated Depreciation	(25,519,335)	(24,155,509)	5.65%
Net Capital Assets	<u>\$ 78,865,092</u>	<u>\$ 67,652,155</u>	<u>16.57%</u>

Long-Term Debt

At year end, the District had \$84,840,329 in debt, as shown in Table 6.

Table 6
Long-Term Debt

	Governmental Activities		Total Percentage Change
	2008	2007	2007-08
General Obligation Bonds	\$ 62,998,060	\$ 40,000,073	57.49%
Certificates of Participation	7,605,000	10,165,000	-25.18%
Capital Leases	92,746	190,616	-51.34%
Other General Long-Term Debt	13,989,994	14,002,992	-0.09%
Compensated Absences Payable	154,529	146,999	5.12%
Total Long-Term Debt	<u>\$ 84,840,329</u>	<u>\$ 64,505,680</u>	<u>31.52%</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared based on accounting for certain transactions on a basis of each of receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the fiscal year 2007-2008, the District revised its budget numerous times. In the General Fund, the actual revenue was \$52,830,568, an increase of \$3,160,213 from the original budget of \$49,670,355.

Total actual expenditures were \$51,172,070, an increase of \$1,968,970 from the original budget of \$49,203,100.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

After lengthy legislative debate, a new budget was enacted on Friday February 20 in an attempt to fill an estimated <\$42 Billion> shortfall in the state budget through June 30, 2010. This budget revises the 2008/09 budget passed in September and serves as a preliminary budget for 2009/10 year as well. It is a combination of program reductions, revenue enhancements, and borrowing, with program reductions to schools in the form of deficits to both revenue limit and categorical program funding. Schools must now find ways to absorb mid-year cuts totaling approximately <2.63%> to revenue limit funding (beyond the unfunded COLA) and <15.4%> to most categorical programs, with additional reductions in the coming year. Some of the provisions are subject to voter approval at a May 19th special election, and cuts could be greater without concurrence of the voters. While some categorical flexibility is available, many questions remain about the implementation of the new budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Tu My Vuong, Director of Fiscal Services, Ukiah Unified School District, at (707) 468-3306.

FINANCIAL SECTION

UKIAH UNIFIED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Governmental Activities</u>
ASSETS:	
Cash	\$ 33,534,247
Store Inventory	130,236
Accounts Receivable	5,810,307
Depreciable, Net of Accumulated Depreciation	78,865,092
	<hr/>
Total Assets	118,339,882
LIABILITIES:	
Accounts Payable	2,119,122
Deferred Revenue	389,388
Long Term Debt:	
Due Within One Year	3,271,476
Due After One Year	81,568,853
	<hr/>
Total Liabilities	87,348,839
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	27,324,863
Restricted for:	
Capital Projects	258,751
Educational Programs	3,132,542
Unrestricted	274,887
	<hr/>
Total Net Assets	\$ 30,991,043

The accompanying notes are an integral part of these statements

UKIAH UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 42,257,590	\$ 954,216	\$ 13,211,075	\$ 40,232	\$ (28,052,067)
Instruction related services:					
Supervision of instruction	1,051,375	15,040	806,311	-	(230,024)
Instructional library, media, and technology	959,392	1,047	503,070	-	(455,275)
School site administration	3,996,945	36,261	614,461	-	(3,346,223)
Pupil services:					
Home-to-school transportation	1,506,346	185,737	805,441	-	(515,168)
Food services	2,535,874	556,081	1,859,153	-	(120,640)
All other pupil services	1,837,876	14,248	979,082	-	(844,546)
General administration:					
Centralized data processing	645,706	3,237	54,777	-	(587,692)
All other general administration	2,659,355	60,814	789,942	-	(1,808,599)
Plant services	5,960,620	37,438	183,769	-	(5,739,413)
Ancillary services	329,249	-	-	-	(329,249)
Interest on long-term debt	354,361	-	-	-	(354,361)
Other outgo	122,514	-	13,937	-	(108,577)
Total Expenses	\$ 64,217,203	\$ 1,864,119	\$ 19,821,018	\$ 40,232	\$ (42,491,834)
General Revenues:					
Taxes and subventions					11,024,439
Levied for general purposes					3,232,883
Levied for debt service					25,239,084
Federal and state aid not restricted to specific purposes					953,688
Interest and investment earnings					56,031
Interagency revenues					639,513
Miscellaneous					6,222,466
Special and extraordinary items					47,368,104
Total General Revenues					4,876,270
Change in Net Assets					26,114,773
Net Assets, Beginning					\$ 30,991,043
Net Assets, Ending					

The accompanying notes are an integral part of these statements

UKIAH UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008

	Major Funds		Total Other Governmental Funds	Total Governmental Funds
	General Fund	Building Fund		
ASSETS				
Cash	\$ 2,344,046	\$ 25,551,175	\$ 4,273,595	\$ 32,168,816
Accounts Receivable	5,284,197	-	526,110	5,810,307
Due from Grantor Governments	-	-	200,000	200,000
Due from Other Funds	142,361	41	379,656	522,058
Stores Inventory	86,492	-	43,743	130,235
TOTAL ASSETS	\$ 7,857,096	\$ 25,551,216	\$ 5,423,104	\$ 38,831,416
LIABILITIES & FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 616,556	\$ 1,313,590	\$ 148,214	\$ 2,078,360
Due to Other Funds	548,968	-	57,402	606,370
Deferred Revenue	347,516	-	157,420	504,936
Total Liabilities	1,513,040	1,313,590	363,036	3,189,666
Fund Balances:				
Reserved				
Cash in Revolving Fund	5,300	-	-	5,300
Stores Inventories	86,492	-	43,743	130,235
Legally Restricted Balances	2,813,773	-	-	2,813,773
Designated				
Economic Uncertainties	1,551,392	-	-	1,551,392
Other Designation	1,887,098	-	-	1,887,098
Undesignated	1	24,237,626	5,016,325	29,253,952
Total Fund Balance	6,344,056	24,237,626	5,060,068	35,641,750
TOTAL LIABILITIES & FUND BALANCES	\$ 7,857,096	\$ 25,551,216	\$ 5,423,104	\$ 38,831,416

The accompanying notes are an integral part of these statements

UKIAH UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 35,641,750

Amounts reported for assets and liabilities for governmental activities in the Statement of Net Assets are different from amounts reported in governmental funds because:

Capital assets: In governmental funds, only current assets are reported. In the Statement of Net Assets, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost	\$ 104,384,427	
Accumulated depreciation	<u>(25,519,335)</u>	
Net		78,865,092

Long-term liabilities: In governmental funds, only current liabilities are reported. In the Statement of Net Assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds payable	62,998,061	
Compensated absences payable	154,528	
Certificates of participation payable	7,605,000	
Capital leases payable	92,746	
Other general long-term debt	<u>13,989,994</u>	
Total		(84,840,329)

Internal service funds: Internal service funds are used to conduct certain activities which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the Statement of Net Assets. Net assets for internal service funds are:

1,324,526

Rounding Difference

4

TOTAL NET ASSETS, GOVERNMENT-WIDE STATEMENT OF NET ASSETS

\$ 30,991,043

The accompanying notes are an integral part of these statements

UKIAH UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Major Funds		Total Other Governmental Funds	Total Governmental. Funds
	General Fund	Building Fund		
Revenue:				
Revenue Limit Sources	\$ 31,720,112	\$ -	\$ -	\$ 31,720,112
Federal Revenue	4,530,260	-	1,774,909	6,305,169
Other State Revenue	9,679,165	-	2,061,006	11,740,171
Other Local Revenue	6,901,031	730,840	4,901,678	12,533,549
Total Revenues	52,830,568	730,840	8,737,593	62,299,001
Expenditures:				
Certificated Salaries	24,077,103	-	854,810	24,931,913
Classified Salaries	9,454,395	65,690	1,408,880	10,928,965
Employee Benefits	10,336,598	9,419	794,515	11,140,532
Books and Supplies	2,940,713	-	1,171,364	4,112,077
Services and Other Operating Expenditures	4,426,168	158,623	1,012,476	5,597,267
Capital Outlay	135	10,747,007	105,201	10,852,343
Other Outgo	74,841	-	3,073,660	3,148,501
Transfers of Direct/Indirect Support Cost	(137,883)	-	137,883	-
Total Expenditures	51,172,070	10,980,739	8,558,789	70,711,598
Excess (Deficiency) of Revenues Over Expenditures	1,658,498	(10,249,899)	178,804	(8,412,597)
Other Financing Sources (Uses):				
Transfers In & Other Sources	100,257	2,908,934	541,004	3,550,195
Operating Transfers Out	(541,004)	(1,237,680)	(1,771,511)	(3,550,195)
Other Sources/Uses		28,007,301	1,213,910	29,221,211
Total Other Sources (Uses)	(440,747)	29,678,555	(16,597)	29,221,211
Net Change In Fund Balance	1,217,751	19,428,656	162,207	20,808,614
Fund Balance, Beginning	5,126,305	4,808,970	4,897,861	14,833,136
Fund Balance, Ending	\$ 6,344,056	\$ 24,237,626	\$ 5,060,068	\$ 35,641,750

The accompanying notes are an integral part of these statements

UKIAH UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

NET CHANGE IN FUND BALANCES, GOVERNMENTAL FUNDS \$ 20,808,614

Amounts reported for governmental activities in the Statement of Activities are different from amounts reported in governmental funds because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the Statement of Activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	\$ 12,576,763	
Depreciation expense	<u>(1,363,826)</u>	
Net		11,212,937

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 2,671,627

Debt proceeds: In governmental funds, proceeds from debt are recognized as "Other Financing Sources." In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were (22,998,745)

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the Statement of Activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was (7,529)

Other expenditures relating to prior periods: Certain expenditures recognized in governmental funds relate to prior periods. These expenditures are recognized in the Government-Wide Statement of Activities in the period in which the obligations are first incurred, so they must not be recognized again in the current period. Expenditures relating to prior period were: (7,382,637)

Internal service funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the Statement of Activities. The net increase or decrease in internal service funds was: 572,002

Rounding Difference 1

CHANGES IN NET ASSETS, GOVERNMENT-WIDE STATEMENT OF ACTIVITIES \$ 4,876,270

The accompanying notes are an integral part of these statements

UKIAH UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual
	Original	Final	
Revenue:			
Revenue Limit Sources	\$ 31,779,388	\$ 31,437,089	\$ 31,720,112
Federal Revenue	4,382,971	5,362,399	4,530,260
Other State Revenue	8,491,116	9,270,885	9,679,165
Other Local Revenue	5,016,880	6,783,826	6,901,031
Total Revenues	<u>49,670,355</u>	<u>52,854,199</u>	<u>52,830,568</u>
Expenditures:			
Certificated Salaries	23,495,582	24,118,033	24,077,103
Classified Salaries	9,497,788	9,465,371	9,454,395
Employee Benefits	10,302,027	10,446,932	10,336,598
Books and Supplies	2,136,232	4,742,674	2,940,713
Services and Other Operating Expenditures	3,906,167	5,051,177	4,426,168
Capital Outlay	-	-	135
Other Outgo	74,000	74,841	74,841
Transfers of Indirect/Direct Support Costs	(208,696)	(137,883)	(137,883)
Total Expenditures	<u>49,203,100</u>	<u>53,761,145</u>	<u>51,172,070</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>467,255</u>	<u>(906,946)</u>	<u>1,658,498</u>
Other Financing Sources (Uses):			
Operating Transfers In	242,000		100,257
Operating Transfers Out	(393,961)	(541,004)	(541,004)
Total Other Sources (Uses)	<u>(151,961)</u>	<u>(541,004)</u>	<u>(440,747)</u>
Net Change In Fund Balance	315,294	(1,447,950)	1,217,751
Fund Balance, Beginning	<u>4,902,497</u>	<u>5,126,305</u>	<u>5,126,305</u>
Fund Balance, Ending	<u>\$ 5,217,791</u>	<u>\$ 3,678,355</u>	<u>\$ 6,344,056</u>

The accompanying notes are an integral part of these statements

UKIAH UNIFIED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Assets	
Cash in County Treasury	\$ 195,793
Cash with Fiscal Agent	1,169,636
	<hr/>
Total Assets	<u>\$ 1,365,429</u>
Liabilities	
Accounts Payable	<u>\$ 40,903</u>
Net Assets	<u>\$ 1,324,526</u>

The accompanying notes are an integral part of these statements

UKIAH UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Operating Revenue	
Premiums	\$ 6,605,544
	<hr/>
Total Operating Revenue	6,605,544
	<hr/>
Operating Expenses	
Payments for health and welfare claims	6,060,245
Other Operating Expenses	235
	<hr/>
Total Operating Expenses	6,060,480
	<hr/>
Operating Gain	545,064
	<hr/>
Non-Operating Income	
Interest income	26,938
	<hr/>
Net Gain	572,002
	<hr/>
Total Net Assets, July 1, 2007	752,524
	<hr/>
Total Net Assets, June 30, 2008	<u>\$ 1,324,526</u>

The accompanying notes are an integral part of these statements

UKIAH UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Cash flows from operating activities	
Cash received from premiums	\$ 6,607,205
Cash paid for claims	(6,103,528)
Cash paid for supplies	(235)
	<hr/>
Net cash flows provided by operating activities	503,442
Cash flows from investing activities	
Interest income	<hr/> 26,938
Net increase in cash	530,380
Cash, July 1, 2007	835,049
	<hr/>
Cash, June 30, 2008	<u><u>\$ 1,365,429</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income (loss)	<hr/> \$ 545,064
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	1,661
Decrease in accounts payable	<hr/> (43,283)
Total adjustments	(41,622)
	<hr/>
Net cash provided by operating activities	<u><u>\$ 503,442</u></u>

The accompanying notes are an integral part of these statements.

UKIAH UNIFIED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Expendable Trust</u>	
	<u>Trust Scholarship Fund</u>	<u>Agency Fund</u>
ASSETS		
Cash on Hand and in Bank	\$ 20,095	\$ 287,051
Investments	130,513	
	<u>\$ 150,608</u>	<u>\$ 287,051</u>
Total Assets		
	<u>\$ 150,608</u>	<u>\$ 287,051</u>
LIABILITIES		
Due to Student Groups		\$ 287,051
		<u>\$ 287,051</u>
Total Liabilities		
		<u>\$ 287,051</u>
NET ASSETS		
Reserved for scholarships	\$ 150,608	
	<u>\$ 150,608</u>	<u>\$ -</u>
Total Net Assets		
	<u>\$ 150,608</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

UKIAH UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's California School Accounting Manual. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (BASB) and the American Institute of Certified Public Accountants (AICPA).

A. Reporting Entity

The District includes all funds that are controlled by or dependent on the District's governing board for financial reporting purposes. The District has considered all potential component units in determining how to define the reporting entity, using criteria set forth in generally accepted accounting principles. The District determined that the Ukiah Unified School District School Building (the "Corporation") meets the criteria for inclusion within the reporting entity.

The Ukiah Unified School District School Building Corporation has a financial and operational relationship with the Ukiah Unified School District (the "District") which meets the reporting entity definition criteria of the (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, for inclusion of the Corporation as a component unit of the District. Accordingly, the financial activities of the Corporation have been included in the accompanying financial statements of the District.

The Corporation

The Corporation was formed in October 1975, pursuant to the general California nonprofit corporation laws, to provide financial assistance to the District by financing the acquisition, construction, improvement and remodeling of public school buildings and facilities. In 1978 the District occupied the facilities constructed by the Corporation under a lease-purchase agreement. At the end of the lease term, title of all Corporate property will pass to the District for no additional consideration.

Due to the nature of the Corporation's accounting methods, it was not practicable to integrate each separate fund of the corporation with other funds of the District. Accordingly, in the accompanying financial statements the Corporation's financial activity is presented as the Corporation Debt Service Fund under the Debt Service Fund category, and as the Corporation Building Fund under the Capital Project Fund category.

Certificates of Participation issued by the Corporation are included in the Long-term Debt.

The following are those aspects of the relationship between the District and the Corporation, which satisfy GASB Codification Section 2100 criteria.

Manifestations of Oversight

The Corporation's Board of Directors were appointed by the members of the Corporation, all of whom required approval for membership by a resolution of the Governing Board of the District.

UKIAH UNIFIED SCHOOL DISTRICT
NOTES TO FIANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Corporation has no employees. The District's Director of Fiscal Services functions as agent of the Corporation. This individual receives no additional compensation for work performed in this capacity.

The District exercises significant influence over operations of the Corporation as it is anticipated that the District will always be the sole lessee of all facilities owned by the Corporation.

Accountability for Fiscal Matters

It is anticipated that the District's lease payments will be the sole revenue source of the Corporation. Any deficits incurred by the Corporation will be reflected in the lease payments of the District. Any surpluses of the Corporation revert to the District at the end of the lease period.

The District has assumed a "moral obligation" and potentially a legal obligation, for any debt incurred by the Corporation.

Scope of Public Service

The Corporation was created for the sole purpose of financially assisting the District.

The District has entered into a long-term agreement with the Corporation whereby the Corporation leases land from the District; and, the District occupies the facilities (a portion of the Ukiah High School) under a lease-purchase agreement with the Corporation. The District's annual lease payments are factored to meet the Corporation's operating expenses and bond retirement costs.

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) reporting information on all of the non fiduciary activities of the District and its component units. Internal Service Fund activity is eliminated to avoid doubling revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

UKIAH UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the district's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. The Internal Service Fund is presented on the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current asset and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the proprietary fund's Statement of Fund Net Assets. The Statement of Revenue, Expenses, and Changes in Fund Net Assets for proprietary funds present increase (i.e., expenditures) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from non operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self-insurance costs. Operating expenses for internal service funds includes the costs of insurance premiums and claims related to self-insurance.

Fiduciary funds are reported using the economic resources measurement focus.

UKIAH UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to play liabilities of the current fiscal year. For the District, “available” means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

UKIAH UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, non-major, proprietary and fiduciary funds as follows:

MAJOR GOVERNMENTAL FUNDS:

1. General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
2. Building Fund is used to account for the proceeds of bonds sold during 2006-07.

NON-MAJOR GOVERNMENTAL FUNDS:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains five non-major special revenue funds:

1. Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.
2. Child Development Fund is used to account for resources committed to child development programs maintained by the District.
3. Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeteria program.
4. Deferred Maintenance Fund is used for the purpose of major repairs or replacement of District property.
5. Special Reserve Fund for Post-Employment Benefits is used for health benefits of retired employees.

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental fixed assets. The District maintains three non-major capital projects funds:

1. Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).
2. County School Facilities Fund is used to account for District contributions and state apportionments provided for school facility construction and modernization.
3. Special Reserve Fund for Capital Outlay Projects is used to account for capital outlay and rejected expenses.

UKIAH UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt Service Funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs. The District maintains three non-major debt service funds:

1. Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, District bonds sold in 2005-06, interest and related costs.
2. Override Building Voted Tax Fund, originally used to account for the construction of the Ukiah High School, is currently used to account for the receipt of voted tax revenue and payment of lease-purchase obligations.
3. Debt Service Fund is used for accumulation of resources for and the retirement of principal and interest on general long-term debt.

PROPRIETARY FUND:

Internal Service Fund is used to account for resources set aside by the District to service the partially self-insured employee health and welfare benefit plan. The District maintains one internal service fund:

1. Health and Welfare Funds are used to account for the cost of claims paid by the plan administrator, medical, dental, vision and pharmaceuticals. Revenue of this fund arises from amounts budgeted and accounted for as employee benefit expenditures of the General Fund.

FIDUCIARY FUNDS:

Expendable Trust Funds are used to account for assets held by trustees for the benefit of the District; and have been considered reporting entities requiring inclusion in the financial statements of the District. The District maintains one Expendable Trust Fund:

1. Trust Scholarship Fund is used to provide financial assistance to students of the District.

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains six agency funds to account for the activities of the various student body clubs and activities. Individual accounts, by club are maintained within the District's accounting system for the Ukiah High School Student Body Fund.

The District maintains student body funds, which are used to account for the raising and expending of money to promote the general welfare morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District.

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state of law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

UKIAH UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

These budgets are revised by the District's Board of Trustees and District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund and Major Special Revenue Funds as required supplementary information in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

The District did not adopt budgets for the Corporation Debt Service Fund or the Corporation Building Fund.

F. Encumbrances

Encumbrances accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

G. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Assets, Liabilities and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$100,000 by the Federal Deposit Insurance Corporation.

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Fair market value factor of this pool as of June 30, 2008, as provided by the pool sponsor, was 0.99414. Interest earned is deposited quarterly into participating funds. Any investments losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the county either are secured by federal depository insurance or are collateralized.

UKIAH UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Valuation – In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair market value. Market value is used as fair value for those securities for which market quotations are readily available. However, the District's financial statements do not reflect the fair value of investments as the differences between total investment cost and fair value has been determined to be immaterial.

2. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and are charged as expenditures when used. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District's central warehouse inventory and the cafeteria inventory valuation is First-in-First-out (FIFO).

The District has the option of reporting expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure in the benefited period.

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

<u>Assets Class</u>	<u>Examples</u>	<u>Estimated Useful Life in Years</u>
Land		N/A
Site improvements	Paving, flagpoles, retaining walls, sidewalks	20
School buildings		50
Portable classrooms		25
HVAC systems	Heating, ventilation and air conditions systems	20
Roofing		20
Interior construction		25
Carpet replacement		7
Electrical/plumbing		30
Sprinkler/fire system	Fire suppression systems	25
Outdoor equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery & tools	Shop & maintenance equipment, tools	15
Kitchen equipment	Appliances	15
Custodian equipment	Floor scrubbers, vacuums, other	15
Science & engineering	Lab equipment, scientific apparatus	10
Furniture & accessories	Classroom & other furniture	20

UKIAH UNIFIED DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

<u>Asset Class</u>	<u>Examples</u>	<u>Estimated Useful Life in Years</u>
Business machines	Fax, duplicating & printing equipment	10
Copiers		5
Communication equipment	Mobile, portable radios, non-computerized	10
Computer hardware	PC's, printers, network hardware	5
Computer software	Instructional, other short-term	5 to 10
Computer software	Administration or long-term	10 to 20
Audio visual equipment	Projectors, cameras (still & digital)	10
Athletic equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical instruments	Pianos, strings, brass, percussion	10
Library books	Collections	5 to 7
Licensed vehicles	Buses, other on-road vehicles	8
Contractor's equipment	Major off-road vehicles, front-end loaders large tractors, mobile air compressor	10
Grounds equipment	Mowers, tractors, attachments	15

4. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

5. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

UKIAH UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Net Assets

In the government-wide financial statements net assets are classified in the following categories:

Invested in Capital Assets, net of Related Debt – This amount consist of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

8. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District’s policy is to apply restricted net assets first.

Reservations of the ending fund balance indicate the portions of fund balance not appropriate for expenditure or amounts legally segregated for a specific future use. The reserve for revolving fund, reserve for stores inventory, and reserve for prepaid assets reflects the portions of fund balance represented by revolving fund cash, stores inventory and prepaid expenses, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date.

Designation of the ending fund balance indicates tentative plans for financial resource utilization in a future period.

9. Revenue Limit/Property Tax

The District’s revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each year.

UKIAH UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

The California Department of Education reduces the District's entitlement by the District local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

The District's Base Revenue Limit is the amount of general-purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

NOTE 2 – CASH

Cash at June 30, 2008 consists of the following:

	General Fund	Building Fund	Total Other Governmental Funds	Total Governmental Funds
Cash				
County Treasury	\$ 2,338,746	\$ 25,551,175	\$ 4,250,339	\$ 32,140,260
Banks	-	-	23,256	23,256
Revolving Fund	5,300	-	-	5,300
Total Cash	<u>\$ 2,344,046</u>	<u>\$ 25,551,175</u>	<u>\$ 4,273,595</u>	<u>\$ 32,168,816</u>

Interest Rate Risk

California Government Code Section 53601 limits the District's investments to maturities of five years. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy required at least 30 % of the District's investment portfolio mature in less than one year. Additional limitations are that the average maturity of the investment portfolio will not exceed three years, and no investment will have a maturity of more than five years from its date of purchase. The District had no investments outside the external investment pool at the Mendocino County Treasury.

Credit Risk

California Government Code Section 53601 limits investments in commercial paper to "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO) and limits investments in medium-term notes to a rating of A or better. The District has no investment policy that would further limit its investment choices. The District's investment in the county investment pool is unrated.

Concentration of Credit Risk

California Government Code Section 53635 places the following concentration limits on the state investment pool and the county investment pool:

UKIAH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2 – CASH (CONCLUDED)

- No more than 40% may be invested in eligible commercial paper; no more than 10% may be invested in the outstanding commercial paper of any single issuer; and, no more than 10% of the outstanding commercial paper of any single issuer may be purchased.

California Government Code Section 53601 places the following concentration limits on the District's investments:

- No more than 5% may be invested in the securities of any one issuer, except the obligations of the U.S. government, U.S. government agencies, and U.S. government-sponsored enterprises; no more than 10% may be invested in any one mutual fund; no more than 25% may be invested in commercial paper; no more than 10% of the outstanding commercial paper of any single issuer may be purchased; no more than 30% may be invested in the bankers acceptances of any one commercial bank; no more than 30% may be invested in negotiable certificates of deposit; no more than 20% may be invested in repurchase agreements of reverse repurchase agreements; and, no more than 30% may be invested in medium-term notes.

Custodial Credit Risk - Deposits

For deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2008, the District had no exposure to custodial credit risk.

Custodial Credit Risk - Investments

For investments, custodial credit risk is the risk that in the event of a bank failure, the District's investments may not be returned to it. The District does not have investment policy for custodial credit risk. As of June 30, 2008, the District had no exposure.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2008 consist of the following:

	General Fund	Adult Education Fund	Child Development Fund	Cafeteria Special Revenue Fund	Total Governmental Funds
Federal Government	\$ 815,108				\$ 815,108
State Government	2,448,765	126,469	31,148	368,493	2,974,875
Local Government	2,020,324				2,020,324
Total Accounts Receivable	\$ 5,284,197	\$ 126,469	\$ 31,148	\$ 368,493	\$ 5,810,307

UKIAH UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 4 – INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Interfund Receivables/Payables (Due From/Due To)

As of June 30, 2008, interfund receivables and payables were as follows:

Fund	Due From Other Funds	Due To Other Funds
General Fund	\$ 142,361	\$ 548,969
Adult Education Fund	38,289	34,240
Child Development Fund	9,555	23,162
Cafeteria Special Revenue Fund	85,155	115,548
Deferred Maintenance Fund	246,658	-
Special Reserve Fund for Post-Employment Benefits	200,000	-
Building Fund	40	-
Special Reserve Fund for Capital Outlay Projects	-	139
Total	<u>\$ 722,058</u>	<u>\$ 722,058</u>

All interfund receivables and payables are scheduled to be paid within one year.

Interfund Transfers

Interfund transfers consist of nonreciprocal operating movements of net assets from funds receiving revenue to funds through which the resources are to be expended. As of June 30, 2008, interfund transfers are as follows:

Fund	Transfer In	Transfer Out
General Fund	\$ 100,257	\$ 541,004
Child Development Fund	9,555	-
Cafeteria Special Revenue Fund	84,791	-
Deferred Maintenance Fund	246,658	-
Special Reserve Fund for Post-Employment Benefits	200,000	-
Building Fund	2,908,934	1,237,680
County School Facilities Fund	-	1,671,254
Special Reserve Fund for Capital Outlay Projects	-	100,257
Self-Insurance Fund	696,938	696,938
Total	<u>\$ 4,247,133</u>	<u>\$ 4,247,133</u>

UKIAH UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2008, is shown below:

	Balance July1, 2007	Additions	Decreases	Balance June 30,2008
Capital Assets Not Being Depreciated				
Land	\$ 4,594,438	\$ -	\$ -	\$ 4,594,438
Construction in Progress	19,388,472	12,576,763	21,147,636	10,817,599
Total Capital Assets Not Being Depreciated	23,982,910	12,576,763	21,147,636	15,412,037
Capital Assets Being Depreciated				
Land Improvements	1,599,928	-	-	1,599,928
Buildings and Improvements	62,731,781	21,147,636	-	83,879,417
Machinery and Equipment	3,493,045	-	-	3,493,045
Total Capital Assets Being Depreciated	67,824,754	21,147,636	-	88,972,390
Less Accumulated Depreciation for:				
Land Improvements	(1,173,598)	(49,038)	-	(1,222,636)
Building and Improvements	(20,260,250)	(1,184,304)	-	(21,444,554)
Machinery and Equipment	(2,721,661)	(130,484)	-	(2,852,145)
Total Accumulated Depreciation	(24,155,509)	(1,363,826)	-	(25,519,335)
Total Capital Assets Being Depreciated, Net	43,669,245	19,783,810	-	63,453,055
Total Governmental Activities Capital Assets, Net	\$ 67,652,155	\$ 32,360,573	\$ 21,147,636	\$ 78,865,092

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 1,363,826
Total	<u>\$ 1,363,826</u>

UKIAH UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 6 – GENERAL OBLIGATIONS BONDS

On June 18, 1997, the District sold \$13,999,342 of the \$20 million of General Obligation Bonds, which were authorized at an election held in the District March 4, 1997. The proceeds of the bonds were to be used for construction, renovation projects, and District-wide technology upgrades.

The County of Mendocino, on behalf of the District issued \$5,999,085 of General Obligation Bonds designated as “Ukiah Unified School District General Obligation Bonds, Election of 1997, Series 2001” on May 23, 2001. This issue represents the final part of an issue in the aggregate principal amount of \$20 million. Interest on the Bonds is first payable on August 1, 2018 and annually thereafter. The bonds are not subject to redemption prior to maturity.

On April 26, 2006, the County of Mendocino, on behalf of the District issued \$20,001,645 of General Obligation bonds deposited as “Ukiah Unified School District General Obligation Bonds, Election of 2005, Series 2006”. The District received authorization at an election held on November 8, 2005, by more than two-thirds of the votes cast by eligible voters within the District to issue bonds in an aggregate principal amount no to exceed \$43 million. The proceeds of the bonds are to be used for specific construction and modernization projects approved by the voters. The bonds are not subject to redemption prior to maturity.

The County of Mendocino, on behalf of the District issued \$22,997,987 of General Obligation Bonds designated as “Ukiah Unified School District General Obligation Bonds, Election of 2005, Series 2007” on November 15, 2007. This issue represents the final part of an issue in the aggregate principal amount of \$43 million. The bonds are not subject to redemption prior to maturity.

The 1997 general obligations bonds mature through 2018 are as follows:

Year Ended June 30	Principal	Interest	Total
2009	\$ -	\$ -	-
2010	1,670,970	1,734,030	3,405,000
2011	1,650,363	1,924,637	3,575,000
2012	1,629,107	2,125,893	3,755,000
2013	1,606,916	2,338,083	3,944,999
2014-2018	7,441,986	14,493,014	21,935,000
Totals	\$ 13,999,342	\$ 22,615,657	\$ 36,614,999

UKIAH UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 6 – GENERAL OBLIGATION BONDS (CONTINUED)

The 2001 general obligation bonds mature through 2022 are as follows:

	Year Ended June 30	Principal	Interest	Total
2009	\$	-	\$	-
2010		-	-	-
2011		-	-	-
2012		-	-	-
2013		-	-	-
2014-2018		-	-	-
2019-2022		5,999,085	11,570,915	17,570,000
Totals	\$	5,999,085	\$ 11,570,915	\$ 17,570,000

The 2006 general obligation bonds mature through 2032 are as follows:

	Year Ended June 30	Principal	Interest	Total
2009	\$	-	\$	-
2010		-	-	-
2011		-	-	-
2012		-	-	-
2013		-	-	-
2014-2018		-	-	-
2019-2023		4,744,219	5,955,780	10,699,999
2024-2028		11,288,947	19,536,054	30,825,001
2029-2032		3,968,479	10,481,521	14,450,000
Totals	\$	20,001,645	\$ 35,973,355	\$ 55,975,000

UKIAH UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 6 – GENERAL OBLIGATION BONDS (CONCLUDED)

The 2007 general obligation bonds mature through 2032 are as follows:

Year Ended June 30	Principal	Interest	Total
2009	\$ -	\$ 732,625	\$ 732,625
2010	-	732,625	732,625
2011	-	732,625	732,625
2012	25,000	732,625	757,625
2013	50,000	731,625	781,625
2014-2018	800,000	3,595,375	4,395,375
2019-2023	4,275,000	3,244,700	7,519,700
2024-2028	10,185,563	3,153,373	13,338,936
2029-2032	7,662,424	21,412,575	29,074,999
Totals	\$ 22,997,987	\$ 35,068,148	\$ 58,066,135

NOTE 7 – CERTIFICATES OF PARTICIPATION

Annual maturities of the 2003 Certificate of Participation as of June 30, 2008 are as follows:

Year Ended June 30	Principal	Interest	Total
2009	\$ 2,740,000	\$ 270,000	\$ 3,010,000
2010	4,865,000	101,750	4,966,750
Totals	\$ 7,605,000	\$ 371,750	\$ 7,976,750

In accordance with the plan of refunding, the Corporation deposited a portion of the net proceeds received from the 2003 certificates, and the reserve funds held for payment of the 1993 certificates into an irrevocable escrow account with US Bank for purposes of retiring the 1993 certificates in full.

UKIAH UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 8 – CAPITAL LEASES

The District leases portable buildings and equipment under agreements, which provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

Year Ended June 30	Lease Payment
2009	\$ 96,668
Total	96,668
Less: Interest	(3,922)
Present value of net minimum lease payments	<u>\$ 92,746</u>

NOTE 9 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2008, is shown below.

Accounts	Balance July1, 2007	Additions	Decreases	Balance June 30, 2008	Due within One Year
General Obligation Bonds Payable \$	40,000,073	\$ 22,997,987	\$ -	\$ 62,998,060	-
Certificates of Participation	10,165,000	-	2,560,000	7,605,000	3,010,000
Capital Leases	190,616	-	97,870	92,746	93,948
Other General Long-Term Debt	14,002,994	-	13,000	13,989,994	13,000
Compensated Absences Payable	146,999	7,530	-	154,529	154,528
Totals	<u>\$ 64,505,682</u>	<u>\$ 23,005,517</u>	<u>\$ 2,670,870</u>	<u>\$ 84,840,329</u>	<u>\$ 3,271,476</u>

The District has chosen not to report Other Post Employment Benefits as long-term liabilities (see Note 13B). Therefore, this liability is not included in the schedule shown above.

NOTE 10 – GRANT PAYABLE TO THE STATE

During fiscal year 1998-1999, the District received \$130,000 from the State of California to be spent specifically for childcare facilities. The obligation is to be paid over ten years, beginning in fiscal year 2003 through 2012. Annual payments of \$13,000 are paid from the Child Development Fund from local revenues with no interest charged.

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under cost-sharing multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

UKIAH UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers' Retirement Systems (STRS)

Plan Description. The Ukiah Unified School District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

Funding Policy. Active plan members are required to contribute 8.0% of their salary and the Ukiah Unified School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2007/08 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The Ukiah Unified School District's contributions to STRS for the fiscal year ending June 30, 2008, 2007, and 2006 were \$ 1,918,232.37, \$1,860,361, and \$1,839,093, respectively, and equal 100% of the required contributions for each year.

B. California Public Employees Retirement System (CalPERS)

Plan Description. The Ukiah Unified School District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy. Active plan members are required to contribute 7.0% of their salary and the Ukiah Unified School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2007/08 was 9.3% of annual payroll. The contribution requirements of the plan members are established by State statute. The Ukiah Unified School District's contributions to CalPERS for the fiscal year ending June 30, 2008, 2007 and 2006 were \$938,715.68, \$886,924, and \$816,316, respectively, and equal 100% of the required contributions for each year.

C. Social Security

As established by Federal Law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use Social Security.

UKIAH UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

D. On Behalf Payment

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS and contributions to PERS for the year ended June 30, 2008. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures; however, guidance received from the California Department of Education advises local education agencies not to record these amounts in the Annual Financial and Budget Report. These amounts also have not been recorded in these financial statements.

NOTE 12 – STUDENT BODY FUND

The Student Body Fund often engages in activities, which involve cash transactions. These transactions are not subject to adequate internal accounting control prior to deposits being recorded in the bank accounts. It has been determined on a cost benefit basis that providing increased internal control in this area does not justify the additional costs that would be necessary to control receipts prior to the point of deposit.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the District may incur a liability to grantor agencies.

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

B. Other Post Employment Benefits

The Board of Education has entered into contracts with certain eligible employees whereby the District will continue to pay for the retiree's health benefits for five years or age 65 whatever comes first.

The District reimburses various amounts based on years of service for health care costs incurred by pre-medicare retirees. The cost of retirees' health care benefits is recognized as an employee benefits expenditure as claims are paid (pay-as-you-go) basis. For 2007/08, those costs totaled \$632,680. The District estimates \$647,914 for the future benefit costs, calculated using 2007/08 premiums for retirees as of June 30, 2008. Those costs are not included in the District long-term liabilities.

UKIAH UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 13 – COMMITMENTS AND CONTINGENCIES (CONCLUDED)

Because of GASB approval of Statement Nos. 43 and 45, which set forth guidelines and a future implementation timetable for accounting and reporting for other postemployment benefits, the District retained an actuary to calculate its obligation and future funding requirements for other postemployment benefits. The purpose of the actuary's study was to enhance the District's understanding of the obligation and to revisit related District policies. The estimate used the entry age normal method and included normal pension-related actuarial assumptions and an estimate of health care cost rates ranging from the flat 4% and 3% for dental and vision, and decreasing rate of 9% to 7%, for medical costs, over a 3-year period. The calculation produced an unfunded obligation of \$8,750,638 and annual required contributions of \$1,128,357.

C. Joint Ventures

The District participates in three joint ventures under joint powers agreements (JPAs): (1) the Northern California Schools Insurance Group, (NCSIG) for Property and Liability Insurance (2) the Schools Excess Liability Fund (SELF) for Excess Property and Liability Insurance and (3) the Schools Insurance Group Northern Alliance (SIGNAL) for Workers' Compensation Insurance. The relationships between the District and the JPAs are such that the JPAs are not a component unit of the District for financial reporting purposes.

The JPAs arrange for and/or provide coverage for their members. Each JPA is governed by a board consisting of a representative from each member district. Each board controls the operations of their JPA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in each JPA.

NOTE 14 – RECENT GASB PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has recently issued Statement No. 45. Statement 45 was issued to provide more complete, reliable, and decision-useful financial reporting regarding the costs and financial obligations that governments incur when they provide postemployment benefits other than pensions (OPEB) as part of the compensation for services rendered by their employees. The statement requires governmental agencies to record and disclose the actuarially determined cost based on the benefits expected to be earned by employees in the future, as well as benefits already earned. Annual required contributions shall include the employer's normal cost and a provision for amortizing the total unfunded actuarial accrued liability for a period not to exceed 30 years. The statement also requires that an actuarial valuation be performed every two years for a plan with more than 200 members and every three years for plans with fewer than 200 members. The statement will be effective for Ukiah Unified School District and implemented in fiscal year 2008/09. The District has commissioned and received an actuarial study in preparation for the implementation of GASB 45 in 2008/09.

SUPPLEMENTARY INFORMATION

UKIAH UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Second Period	Annual
Elementary:		
Kindergarten	412.71	413.77
Grades One Through Three	1,225.59	1,227.77
Grades Four Through Six	1,187.70	1,184.46
Grades Seven and Eight	775.21	773.16
Home and Hospital	0.53	1.19
	<u>3,601.74</u>	<u>3,600.35</u>
Elementary Totals		
High School:		
Grades Nine Through Twelve	1,550.94	1,526.79
Continuation Education	102.27	102.61
Opportunity Schools and Full Day Opportunity Classes	30.95	29.81
Home and Hospital	13.63	15.98
	<u>1,697.79</u>	<u>1,675.19</u>
High School Totals		
County Supplement:		
County Community Schools		
Elementary	0.70	0.54
High School	8.44	7.17
Special Education		
Special Day Classes Elementary	96.55	96.59
Special Day Classes High School	50.46	49.45
Nonpublic, Non Sectarian Schools- Elementary	2.75	5.21
Nonpublic, Non Sectarian Schools- High School	10.25	10.13
Nonpublic, Non Sectarian Schools- Licensed		
Children's Institution- Elementary	6.42	5.65
Nonpublic, Non Sectarian Schools- Licensed		
Children's Institution- High School	16.93	13.74
Total ADA Reported By County Offices	<u>192.50</u>	<u>188.48</u>
Regional Occupational Centers and Programs:		
Concurrently Enrolled, Secondary Students		
Adults Enrolled, State Apportioned	529.19	571.10
Adults in Correctional Facilities	23.08	24.05
Total Classes for Adults	<u>552.27</u>	<u>595.15</u>
	<u>6,044.30</u>	<u>6,059.17</u>
Average Daily Attendance Totals		
Supplemental Hours:		
Elementary	41,483	60,700
High School	23,203	24,391
Total Supplemental Hours	<u>64,686</u>	<u>85,091</u>

See notes to supplementary information

UKIAH UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Grade Level	1982-83 Actual Minutes	1986-87 Minutes Requirement	2007-08 Actual Minutes	Number Of Days Traditional Calendar *	Status
Kindergarten	32,400	36,000	55,250	180	In Compliance
Grade 1	53,940	50,400	55,250	180	In Compliance
Grade 2	53,940	50,400	55,250	180	In Compliance
Grade 3	53,940	50,400	55,250	180	In Compliance
Grade 4	53,940	50,400	55,250	180	In Compliance
Grade 5	53,940	54,000	55,250	180	In Compliance
Grade 6	56,650	54,000	57,330	180	In Compliance
Grade 7	56,650	54,000	58,756	180	In Compliance
Grade 8	56,650	54,000	58,756	180	In Compliance
Grade 9	56,650	64,800	64,819	180	In Compliance
Grade 10	56,650	64,800	64,819	180	In Compliance
Grade 11	56,650	64,800	64,819	180	In Compliance
Grade 12	56,650	64,800	64,819	180	In Compliance

* The District did not utilize a multi-track calendar during the 2007-08 year.

See notes supplementary information

UKIAH UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

The District is a sponsor district for four Charter Schools: Accelerated Achievement Academy, Redwood Academy of Ukiah, Tree of Life Charter School, and River Oak Charter School. None of the activities of the Charter Schools are presented in the District's financial statements.

See notes to supplementary information

UKIAH UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXCESS SICK LEAVE
JUNE 30, 2008

This schedule indicates whether excess sick leave, as that term is defined in subdivision (c) of California Education Code Section 22170.5, is expressly authorized or is accrued for the District's employees who are members of the California State Teacher's Retirement System (CalSTRS).

The Ukiah Unified School District provides more than twelve (12) sick leave days in a school year to the following:

1. Superintendent
2. Assistant Superintendent

See notes to supplementary information

UKIAH UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Description	Federal Catalog Number	Pass-Through Entity ID No.	Unaudited Actual
U.S. Department of Education:			
Passed through California Department of Education (CDE)			
NCLB: Title I, Part A, Basic Grants Low-Income and neglected	84.010	14329	\$ 1,718,910
NCLB: Title I, Part A, Non-Program Improvement LEA's with Program Improvement Schools	84.010	**	90,000
NCLB: Title I, Part A, Program Improvement Intervention	84.010	**	189,604
NCLB: Title I, Part C, Migrant Ed (Regular & Summer Program)	84.011	14326	49,329
NCLB: Title II, Part A, Principal Training	84.367	14344	1,317
NCLB: Title II, Part A, Teacher Quality	84.367	14341	419,815
NCLB: Title, II Part D, Enhancing Education Through Technology, Formula Grants	84.318X	14334	18,049
NCLB: Title III, Immigrant Education Program	84.365	14346	3,908
NCLB: Title III, Limited English Proficiency (LEP)	84.365	10084	120,025
NCLB: Title IV, Part A, Safe & Drug-Free Schools and Communities, Formula Grants	84.186	14347	36,529
NCLB: Title V, Part A, Innovative Education Strategies	84.298A	14354	7,825
NCLB: Title VI, Part B, Rural & Low Income School Program	84.358	14356	240,393
NCLB: Title X, McKinney-Vento Homeless Assistance Grants	84.196	14332	15,500
Special Ed: IDEA Basic Local Assistance Entitlement	84.027	13379	
Special Ed: IDEA Preschool Grants, Part B	84.173	13430	214,733
Special Ed IDEA Basic Local Assistance	84.027	13379	925,416
Vocational Program: Voc. & Appl Tech Secondary II C (Carl Perkins Act)	84.048	13924	59,906
Indian Education	84.060	**	38,120
Literacy and School Libraries	84.364A	**	70,512
Advance Placement Test	84.330	**	2,740
Total U.S. Department of Education			4,222,631
U.S. Department of Agriculture:			
Passed through County Department			
Child Nutrition - School Programs	10.553	13390	1,774,909
Total U.S. Department of Agriculture			1,774,909
U.S. Department of Health and Human Services:			
Passed Through California Department of Health			
Medi-Cal Billing Option	93.778	10013	93,807
Medical Administrative Activities (MAA)	93.778	10060	213,823
Total U.S. Department of Health and Human Services			307,630
Total Expenditures of Federal Awards			\$ 6,305,170

** Pass-Through entity ID not available.

See notes to supplementary information

UKIAH UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (SACS)
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

There are no audit adjustments applicable to the District's funds; hence, no reconciliation is presented on this page.

See notes to supplementary information

UKIAH UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

General Fund	(Budgeted) 2008/2009	2007/2008	2006/2007	2005/2006
Revenues & other financing sources	\$50,327,254	\$52,930,825	\$52,787,880	\$49,491,344
Expenditures	49,992,049	51,172,070	51,147,676	49,100,822
Other uses & transfers out	601,343	541,004	529,697	441,736
Total expenditures and other outgo	50,593,392	51,713,074	51,677,373	49,542,558
Change in fund balance (Decrease)	(266,138)	1,217,751	1,110,507	(51,214)
Ending fund balance	\$6,077,918	\$6,344,056	\$5,126,305	\$4,015,798
Available reserves*	\$3,905,130	\$1,551,392	\$1,603,898	\$1,770,706
Designated for economic uncertainties		\$1,551,392	\$1,550,319	\$1,450,619
Undesignated fund balance	\$3,905,130		\$53,579	\$320,087
Available reserves as a percentage of total outgo	7.72%	3.00%	3.10%	3.57%
Total long-term debt	\$84,840,329	\$84,840,329	\$64,505,683	\$64,381,183
Average daily attendance at P-2	5,364	5,492	5,411	5,550

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

The General Fund balance has increased \$2,328,258 over the past three years. The fiscal year 2008/2009 budget projects a decrease of \$266,138. For a District of this size, the state recommends available reserves of 5% of general fund expenditures, transfers out and other uses (total outgo).

Long-term debt has increased \$20,459,146 during the past two years.

Average daily attendance has decreased by 58 ADA over the past two years. The ADA is anticipated to decrease by 128 ADA during the fiscal year 2008/2009.

*"Available reserves" consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the general fund.

See notes to supplementary information

UKIAH UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2008

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund for Post Employment Benefits	Total Governmental Funds
ASSETS						
Cash	\$ 808,097	\$ 136,166	\$ (326,687)	\$ (28,989)	\$ 291	\$ 588,878
Accounts Receivable	126,469	31,148	368,493	-	-	526,110
Due from Grantor Governments	-	-	-	-	200,000	200,000
Due from Other Funds	38,288	9,555	85,155	246,658	-	379,656
Stores Inventory	-	-	43,743	-	-	43,743
TOTAL ASSETS	\$ 972,854	\$ 176,869	\$ 170,704	\$ 217,669	\$ 200,291	\$ 1,738,387
LIABILITIES & FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 14,876	\$ 3,673	\$ 6,769	\$ -	\$ -	\$ 25,318
Due to Other Funds	34,240	23,162	-	-	-	57,402
Deferred Revenue	-	41,872	115,548	-	-	157,420
Total Liabilities	49,116	68,707	122,317	-	-	240,140
Fund Balances:						
Reserved						
Cash in Revolving Fund	-	-	-	-	-	-
Stores Inventories	-	-	43,743	-	-	43,743
Legally Restricted Balances	-	-	-	-	-	-
Designated						
Economic Uncertainties	-	-	-	-	-	-
Other Designation	-	-	-	-	-	-
Undesignated	923,738	108,162	4,644	217,669	200,291	1,454,504
Total Fund Balance	923,738	108,162	48,387	217,669	200,291	1,498,247
TOTAL LIABILITIES & FUND BALANCES	\$ 972,854	\$ 176,869	\$ 170,704	\$ 217,669	\$ 200,291	\$ 1,738,387

The accompanying notes are an integral part of these statements

UKIAH UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2008

	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay	Total Governmental Funds
ASSETS				
Cash	\$ 883,482	\$ 108,561	\$ 283,988	\$ 1,276,031
Accounts Receivable	-	-	-	-
Due from Grantor Governments	-	-	-	-
Due from Other Funds	-	-	-	-
Stores Inventory	-	-	-	-
TOTAL ASSETS	\$ 883,482	\$ 108,561	\$ 283,988	\$ 1,276,031
LIABILITIES & FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 122,757	\$ -	\$ 139	\$ 122,896
Due to Other Funds	-	-	-	-
Deferred Revenue	-	-	-	-
Total Liabilities	122,757	-	139	122,896
Fund Balances:				
Reserved				
Cash in Revolving Fund	-	-	-	-
Stores Inventories	-	-	-	-
Legally Restricted Balances	-	-	-	-
Designated				
Economic Uncertainties	-	-	-	-
Other Designation	-	-	-	-
Undesignated	760,725	108,561	283,849	1,153,135
Total Fund Balance	760,725	108,561	283,849	1,153,135
TOTAL LIABILITIES & FUND BALANCES	\$ 883,482	\$ 108,561	\$ 283,988	\$ 1,276,031

The accompanying notes are an integral part of these statements

UKIAH UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2008

	Bond Interest and Redemption Fund	Tax Override Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash	\$ 1,245,609	\$1,163,075	\$ 2	\$ 2,408,686
Accounts Receivable	-	-	-	-
Due from Grantor Governments	-	-	-	-
Due from Other Funds	-	-	-	-
Stores Inventory	-	-	-	-
TOTAL ASSETS	\$ 1,245,609	\$1,163,075	\$ 2	\$ 2,408,686
LIABILITIES & FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	-
Due to Other Funds	-	-	-	-
Deferred Revenue	-	-	-	-
Total Liabilities	-	-	-	-
Fund Balances:				
Reserved				
Cash in Revolving Fund	-	-	-	-
Stores Inventories	-	-	-	-
Legally Restricted Balances	-	-	-	-
Designated				
Economic Uncertainties	-	-	-	-
Other Designation	-	-	-	-
Undesignated	1,245,609	1,163,075	2	2,408,686
Total Fund Balance	1,245,609	1,163,075	2	2,408,686
TOTAL LIABILITIES & FUND BALANCES	\$ 1,245,609	\$1,163,075	\$ 2	\$ 2,408,686

The accompanying notes are an integral part of these statements

UKIAH UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund for Post Employment Benefits	Total Governmental Funds
Revenue:						
Revenue Limit Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Revenue	-	-	1,774,909	-	-	1,774,909
Other State Revenue	1,560,469	241,550	158,722	8	-	1,960,749
Other Local Revenue	139,689	298,470	593,454	2,266	291	1,034,170
Total Revenues	1,700,158	540,020	2,527,085	2,274	291	4,769,828
Expenditures:						
Certificated Salaries	742,321	24,828	87,661	-	-	854,810
Classified Salaries	181,565	314,100	911,455	-	-	1,407,120
Employee Benefits	246,505	130,711	417,077	-	-	794,293
Books and Supplies	56,308	43,940	1,042,075	28,504	-	1,170,827
Services and Other Operating Expenditures	178,942	39,760	54,985	730,991	-	1,004,678
Capital Outlay	-	-	-	-	-	-
Other Outgo	-	13,358	-	-	-	13,358
Transfers of Direct/Indirect Support Cost	-	22,335	115,548	-	-	137,883
Total Expenditures	1,405,641	589,032	2,628,801	759,495	-	5,382,969
Excess (Deficiency) of Revenues Over Expenditures	294,517	(49,012)	(101,716)	(757,221)	291	(613,141)
Other Financing Sources (Uses):						
Transfers In & Other Sources	-	9,555	84,791	246,658	200,000	541,004
Operating Transfers Out	-	-	-	-	-	-
Other Sources/Uses	-	-	-	-	-	-
Total Other Sources (Uses)	-	9,555	84,791	246,658	200,000	541,004
Net Change In Fund Balance	294,517	(39,457)	(16,925)	(510,563)	200,291	(72,137)
Fund Balance, Beginning	629,221	147,619	65,312	728,232	-	1,570,384
Audit Adjustment	-	-	-	-	-	-
Adjusted Beginning Balance	629,221	147,619	65,312	728,232	-	1,570,384
Fund Balance, Ending	\$ 923,738	\$ 108,162	\$ 48,387	\$ 217,669	\$ 200,291	\$ 1,498,247

The accompanying notes are an integral part of these statements

UKIAH UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR CAPITAL PROJECT FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay	Total Governmental Funds
Revenue:				
Revenue Limit Sources	\$ -	\$ -	\$ -	\$ -
Federal Revenue	-	-	-	-
Other State Revenue	-	-	100,257	100,257
Other Local Revenue	278,643	40,232	294,578	613,453
Total Revenue	278,643	40,232	394,835	713,710
Expenditures:				
Certificated Salaries	-	-	-	-
Classified Salaries	-	1,760	-	1,760
Employee Benefits	-	222	-	222
Books and Supplies	537	-	-	537
Services and Other Operating Expenditures	7,798	-	-	7,798
Capital Outlay	-	94,472	10,729	105,201
Other Outgo	155,452	-	-	155,452
Transfers of Direct/Indirect Support Cost	-	-	-	-
Total Expenditures	163,787	96,454	10,729	270,970
Excess (Deficiency) of Revenues Over Expenditures	114,856	(56,222)	384,106	442,740
Other Financing Sources (Uses):				
Transfers In & Other Sources	-	-	-	-
Operating Transfers Out	-	(1,671,254)	(100,257)	(1,771,511)
Other Sources/Uses	-	-	-	-
Total Other Sources (Uses)	-	(1,671,254)	(100,257)	(1,771,511)
Net Change In Fund Balance	114,856	(1,727,476)	283,849	(1,328,771)
Fund Balance, Beginning	645,869	1,836,037	-	2,481,906
Audit Adjustment	-	-	-	-
Adjusted Beginning Balance	645,869	1,836,037	-	2,481,906
Fund Balance, Ending	\$ 760,725	\$ 108,561	\$ 283,849	\$ 1,153,135

The accompanying notes are an integral part of these statements

UKIAH UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR DEBT SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Bond Interest and Redemption Fund	Tax Override Fund	Debt Service Fund	Total Governmental Funds
Revenue:				
Revenue Limit Sources	\$ -	\$ -	\$ -	\$ -
Federal Revenue	-	-	-	-
Other State Revenue	-	-	-	-
Other Local Revenue	27,134	3,226,921	-	3,254,055
Total Revenues	27,134	3,226,921	-	3,254,055
Expenditures:				
Certificated Salaries	-	-	-	-
Classified Salaries	-	-	-	-
Employee Benefits	-	-	-	-
Books and Supplies	-	-	-	-
Services and Other Operating Expenditures	-	-	-	-
Capital Outlay	-	-	-	-
Other Outgo	-	2,904,850	-	2,904,850
Transfers of Direct/Indirect Support Cost	-	-	-	-
Total Expenditures	-	2,904,850	-	2,904,850
Excess (Deficiency) of Revenues Over Expenditures	27,134	322,071	-	349,205
Other Financing Sources (Uses):				
Transfers In & Other Sources	-	-	-	-
Operating Transfers Out	-	-	-	-
Other Sources/Uses	1,213,910	-	-	1,213,910
Total Other Sources (Uses)	1,213,910	-	-	1,213,910
Net Change In Fund Balance	1,241,044	322,071	-	1,563,115
Fund Balance, Beginning	4,565	841,004	2	845,571
Audit Adjustment	-	-	-	-
Adjusted Beginning Balance	4,565	841,004	2	845,571
Fund Balance, Ending	\$ 1,245,609	\$ 1,163,075	\$ 2	\$ 2,408,686

The accompanying notes are an integral part of these statements.

UKIAH UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS - STUDENT BODY
FOR THE YEAR ENDED JUNE 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<u>GRACE HUDSON ELEMENTARY</u>				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 5,246	\$ 18,349	\$ 13,420	\$ 10,175
<u>LIABILITIES</u>				
Due to Student Groups	\$ 5,246	\$ 18,349	\$ 13,420	\$ 10,175
<u>FRANK ZEEK ELEMENTARY</u>				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 1,446	\$ 20,404	\$ 20,355	\$ 1,495
<u>LIABILITIES</u>				
Due to Student Groups	\$ 1,446	\$ 20,404	\$ 20,355	\$ 1,495
<u>YOKAYO ELEMENTARY</u>				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 9,245	\$ 34,224	\$ 37,259	\$ 6,210
<u>LIABILITIES</u>				
Due to Student Groups	\$ 9,245	\$ 34,224	\$ 37,259	\$ 6,210
<u>NOKOMIS ELEMENTARY</u>				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 4,739	\$ 2,510	\$ 1,465	\$ 5,784
<u>LIABILITIES</u>				
Due to Student Groups	\$ 4,739	\$ 2,510	\$ 1,465	\$ 5,784
<u>POMOLITA MIDDLE SCHOOL</u>				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 48,947	\$ 101,278	\$ 122,718	\$ 27,507
<u>LIABILITIES</u>				
Due to Student Groups	\$ 48,947	\$ 101,278	\$ 122,718	\$ 27,507

The accompanying notes are an integral part of these statements.

UKIAH UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS - STUDENT BODY
FOR THE YEAR ENDED JUNE 30, 2008

EAGLE PEAK MIDDLE SCHOOL

ASSETS

Cash on Hand and in Banks	\$ 30,587	\$ 36,442	\$ 43,143	\$ 23,886
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LIABILITIES

Due to Student Groups	\$ 30,587	\$ 36,442	\$ 43,143	\$ 23,886
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UKIAH HIGH SCHOOL

ASSETS

Cash on Hand and in Banks	\$ 193,453	\$ 504,574	\$ 486,033	\$ 211,994
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LIABILITIES

Due to Student Groups	\$ 193,453	\$ 504,574	\$ 486,033	\$ 211,994
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TOTAL FIDUCIARY FUNDS

ASSETS

Cash on Hand and in Banks	\$ 293,663	\$ 717,781	\$ 724,393	\$ 287,051
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LIABILITIES

Due to Student Groups	\$ 293,663	\$ 717,781	\$ 724,393	\$ 287,051
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The accompanying notes are an integral part of these statements.

UKIAH UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 – PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Average Daily Attendance

Average daily attendance is a unit of State apportionment, equal to total approved days of attendance in the local educational agency (LEA) divided by the number of days the schools in the LEA were in session for at least the required minimum day (Education Code Section 46300). The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to the Academy. This schedule provides information regarding the attendance of students at various grade levels.

B. Schedule of Instructional Time

The District has received incentive funding for increasing time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time and number of days offered by the District and whether the District complied with the provisions of Education Code Sections through 46201 through 46206.

C. Schedule of Charter Schools

This schedule is provided to list all charter schools chartered by the District and displays information for each charter on whether or not the charter is included in the District audit.

D. Schedule of Excess Sick Leave

This schedule indicates whether excess sick leave, as the term is defined in subdivision (c) of California Education Code Section 22170.5, is expressly authorized or is accrued for the District's employees who are members of the California State Teacher's Retirement System (CalSTRS).

E. Schedule of Expenditures of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. To comply with Circular A-133 requirements, this schedule was prepared for the District.

F. Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule ordinarily would provide the information necessary to reconcile the fund balances of all funds and the total balances of capital assets and general long-term debt as reported on the SACS to the audited financial statements. No reconciliation is applicable to 2007/08.

G. Schedule of Financial Trends and Analysis

This schedule is presented to improve the evaluation and reporting of the going concern status of the District.

H. Early Retirement Incentive Program

The District may adopt an early retirement incentive program, pursuant to Education Code Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years. Eligible employees must have five or more years of service under the State Teachers' Retirement System and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the District. There were no participants in the early retirement incentive program; therefore, this schedule has not been included for 2007/08.

I. Combining Statements and Individual Fund Schedules

Combining statements and individual fund schedules are presented for purposes of additional analysis, and are not a required part of the District's basic financial statements. These statements and schedules present more detailed information about the financial position and financial activities of the District's individual funds.

OTHER INDEPENDENT AUDITORS' REPORTS

Boceta & Associates

Certified Public Accountants
600 Anton Blvd., 11th Floor
Costa Mesa, CA 92626
(714) 371-4042 - (714) 465-3154 Fax

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education
Ukiah Unified School District
Ukiah, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ukiah Unified School District (the District) as of and for the year ended June 30, 2008, which collectively comprise the County Office's basic financial statements and have issued our report thereon dated February 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify any deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Trustees, management, and Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



February 23, 2009

Boceta & Associates

Certified Public Accountants
600 Anton Blvd., 11th Floor
Costa Mesa, CA 92626
(714) 371-4042 - (714) 465-3154 Fax

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Ukiah Unified School District
Ukiah, California

Compliance

We have audited the compliance of the Ukiah Unified School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County Office's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the Board of Trustees, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



February 23, 2009

Boceta & Associates

Certified Public Accountants
600 Anton Blvd., 11th Floor
Costa Mesa, CA 92626
(714) 371-4042 - (714) 465-3154 Fax

AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Ukiah Unified School District
Ukiah, California

We have audited the financial statements of the Ukiah Unified School District (the District) as of and for the year ended June 30, 2008, and have issued our report thereon dated February 23, 2009. Our audit was made in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2007/08*, prescribed by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the State laws and regulations applicable to the following items:

Description	Procedures in the Audit Guide	Procedures Performed
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent study	23	Yes
Continuation education	10	Yes
Adult education	9	Yes
Regional Occupational Center/Programs	6	Not Applicable
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Community Day Schools	9	Not Applicable
Morgan-Hart Class Size Reduction Program	7	Yes
Instructional Materials:		
General Requirements	12	Yes
K-8 only	1	Yes
Grades 9-12 only	1	Yes

Description	Procedures	
	in the Audit Guide	Procedures Performed
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Not Applicable
GANN Limit calculation	1	Yes
School Construction Funds:		
School District Bonds	3	Yes
State School Facilities Funds	1	Yes
Excess Sick Leave	2	Yes
Notice of Right to Elect California State Teachers Retirement		
System (CalSTRS) Membership	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-Safe) Program	3	Not Applicable
Mathematics and Reading Professional Development	4	Yes
School Accountability Report Card	3	Yes
Class Size Reduction		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not Applicable
Districts or Charter Schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program		
General Requirements	4	Yes
After School	4	Yes
Before School	5	Yes
Charter Schools:		
Contemporaneous Records of Attendance	1	Not Applicable
Mode of Instruction, for charter schools	1	Not Applicable
Non Classroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non-Classroom-Based		
Instruction	3	Not Applicable
Annual Instructional Minutes - Classroom Based	3	Not Applicable

Based on our audit, we found that, for the items tested, the District complied with the State laws and regulations referred to above, except for those findings described on the State Award Findings and Questioned Costs on the Findings and Recommendations Section (2008-5, 2008-6, and 2008-7). Further, based on our examination, for items not tested, nothing came to our attention to indicate that the District had not complied with the State laws and regulations.

This report is intended solely for the information and use of the Board of Trustees, management, State Controller's Office, Department of Finance, Department of Education, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Boyle & Associates

February 23, 2009

FINDINGS AND RECOMMENDATIONS SECTION

UKIAH UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2008

FINANCIAL STATEMENTS

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant Deficiency(ies) identified that are not considered to be material weaknesses? Yes X No

Noncompliance material to financial statements noted? Yes X No

FEDERAL AWARDS

Type of auditors' report issued on compliance for major programs: Unqualified

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant Deficiency(ies) identified that are not considered to be material weaknesses? Yes X No

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027</u>	<u>Special Education -- Grants to States (Idea, Part B)</u>
<u>84.173</u>	<u>Special Education -- Preschool Grants (Idea Preschool)</u>
<u>84.010</u>	<u>Title I Grants to Local Educational Agencies</u>
<u>84.367</u>	<u>Improving Teacher Quality State Grants</u>
<u>93.778</u>	<u>Medical Assistance Program</u>
<u>10.553</u>	<u>School Breakfast Program</u>

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

STATE AWARDS

Type of auditors' report issued on compliance for state programs: Unqualified

Internal control over state programs:

Material weakness(es) identified? Yes X No

Significant Deficiency(ies) identified that are not considered to be material weaknesses? Yes X No

UKIAH UNIFIED SCHOOL DISTRICT
FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Financial Statement Findings

2008-1 Code: 10000 Attendance

Updates to the school-level supporting details for the **Monthly Attendance Summaries** at Ukiah High School were done after P-2 report preparation time. Updates were not made contemporaneously with the P-2 reporting deadline.

Specific Requirement: The Second Principal (P-2) and Annual reports of attendance submitted to the State must be supported by attendance summaries and such attendance summaries must be supported by site-level detailed schedules and other proper documentation.

Condition: Ukiah High School's 7th month **Attendance Monthly Report** (ATP53), dated March 26, 2008, prepared by the District's Technology Support Services staff, supports the P-2 ADA report. The more updated Attendance Monthly Report (ATP53) dated June 4, 2008, signed by the school principal, supported by Monthly Attendance by Student (ATP52), also dated June 4, 2008, showed 624 less apportionment days claimable by the District at the Grades 9-12 level. It appears that the P-2 report was prepared and submitted to the State without the school-level supporting details having been updated at P-2 preparation time, or the updates to the school-level supporting details were not made contemporaneously with P-2 reporting deadline or were done in a manner well past the District's own attendance reporting calendar. As a result, the P-2 report initially was overstated by 624 apportionment days, or 4.62 ADA. As a result of our work at interim, a revised P-2 report was submitted by the District on July 29, 2008, with which we concur.

Questioned Costs: None.

Context: We tested the P-2 report's supporting documentation, for the 7th month, at the comprehensive high school level.

Effect: Initially, at least, the detailed schedules updated at the high school site well past P-2 report preparation time did not agree with the high school-level detailed schedules prepared at P-2 time.

Cause: Unknown.

Recommendation: Efforts should be made by school-site level staff to update the detailed school-site attendance records in a timely manner, on a schedule that conforms to the ADA reporting deadlines reflected on the District's own attendance reporting calendar. As a matter of routine, revisions to the Attendance Monthly Reports and the Monthly Attendance by Student should be reported immediately to Fiscal Services Department and, if warranted, revised P-2 and Annual reports should be submitted to the State.

District Response: In the future, the District's site-level staff will update the detailed school site attendance records in a timely manner, and Fiscal Services staff will review the results of such updates to determine if P-2 or Annual attendance reports need to be revised.

UKIAH UNIFIED SCHOOL DISTRICT
FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Financial Statement Findings

2008-2 Code: 10000 Attendance

Updates to the school-level supporting details for the Monthly Attendance Summaries at Yokayo Elementary School were done after P-2 report preparation time. Updates were not made contemporaneously with the P-2 reporting deadline.

Specific Requirement: The Second Principal (P-2) and Annual reports of attendance submitted to the State must be supported by attendance summaries and such attendance summaries must be supported by site-level detailed schedules and other proper documentation.

Condition: Yokayo Elementary School's ~~Attendance Monthly Report~~ (ATD03), dated March 24, 2008, prepared by the District's Technology Support Services staff, supports the P-2 ADA report. The more updated Attendance Monthly Report (ATD03) dated May 20, 2008, signed by the school principal on May 28, 2008, and supported by Monthly Attendance by Student (ATD02), also dated May 20, 2008, presents sixty-seven (67) more apportionment days claimable by the District at the K-6 grade level. It appears that the P-2 report was prepared and submitted to the State without the school-level supporting details having been updated at P-2 preparation time. Stated differently, it appears that updates to the school-level supporting details were not made contemporaneously with P-2 reporting deadline or were done in a manner well past the District's own attendance reporting calendar. Initially, the P-2 ADA report was understated by sixty-seven (67) apportionment days (a fraction of an ADA). As a result of our interim audit, a revised P-2 report was submitted by the District on July 29, 2008, with which we concur.

Questioned Costs: None.

Context: We tested the P-2 report's supporting documentation at the K-6 level, for the 7th month, and selected Yokayo Elementary School as our test site at the K-6 level.

Effect: Initially, at least, the detailed schedules updated at Yokayo Elementary School well past P-2 report preparation time did not agree with the site-level detailed schedules prepared at P-2 reporting time.

Cause: Unknown.

Recommendation: Efforts should be made by school-site level staff to update the detailed school-site attendance records in a timely manner, on a schedule that conforms to the ADA reporting deadlines reflected on the District's own attendance reporting calendar. As a matter of routine, revisions to the Attendance Monthly Reports and the Monthly Attendance by Student should be reported immediately to Fiscal Services Department and, if warranted, revised P-2 and Annual reports should be submitted to the State.

District Response: In the future, the District's site-level staff will update the detailed school site attendance records in a timely manner, and Fiscal Services staff will review the results of such updates to determine if P-2 or Annual attendance reports need to be revised.

UKIAH UNIFIED SCHOOL DISTRICT
FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Financial Statement Findings

2008-3 Code 30000 Internal Control

Physical Inventory of Equipment and Other Property

Specific Requirement: Management is responsible for establishing and maintaining internal controls, including controls over capital assets, as well as equipment and other property, by maintaining inventory records and conducting a physical count on a periodic basis. Good internal control then requires that the physical count be compared with the recorded inventory.

“Since capital assets represent one of the largest investments of a local educational agency (LEA), control and accountability are of significant concern. General accepted accounting principles regarding internal controls, Education Code section 35168, and federal funding agencies require LEAs to maintain records that properly account for capital assets...” (California School Accounting Manual)

A local educational agency must maintain an inventory of equipment purchased with federal grant funds until disposition takes place. (34 CFR 80.32).

Condition: ~~The District’s physical count of equipment and other property as of June 30, 2008, was not properly documented.~~

Questioned Costs: ~~Not applicable.~~

Context: Through written inquiry, we asked to see a physical count of the District’s equipment and other property. The District would improve its internal control over equipment and other property if the physical inventory requirement is properly complied with.

Effect: The absence of an updated physical count removes an otherwise important internal control procedure, the potential reconciliation between physical count and the District’s property records.

Cause: Unknown.

Recommendation: To improve internal control over capital assets, a physical inventory of all property should be obtained on a regular basis, and the inventory records should be updated as a result of the physical count. The inventory records should then be maintained, on an ongoing basis, by reflecting asset additions and deletions as they occur.

District Response: ~~The District will conduct a physical count of all district property by June 30, 2010. Cost considerations in the midst of State funding cuts may not allow us to conduct a physical count by June 30, 2009.~~

UKIAH UNIFIED SCHOOL DISTRICT
FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Financial Statement Findings

2008-4 Code 60000 Miscellaneous

Delayed Transmittal to the County Treasury of a \$96,756.99 Collection (Insurance Claim Settlement Check)

Specific Requirement: Collections should be transmitted to the county treasury in a timely manner.

Condition: On July 25, the district's Risk Manager appears to have received (from Knak & Company, NCSIG trustee) a check for \$96,756.99, in partial settlement of Hopland School freeze insurance claim. However, this check did not get recorded as having been received by the district until October 10, 2007 (Receipt #040751), and the check was held up at the district office and not transmitted to the county office until October 12, 2007, or two and a half months after receipt. ~~Deposits were supposed to have been made weekly, or as soon as practicable. The lengthy delay related to the recording and depositing of this check was a result of staff being out and also due to turn-over of key positions.~~

Questioned Costs: Not applicable.

Context: We tested selected cash receipts or collection items involving material amounts.

Effect: Delayed ability to earn interest income on District funds kept in the county pool.

Cause: Unknown.

Recommendation: The District's Fiscal Services Department should ensure proper oversight of the recording and deposit of collections so that all collections are recorded and deposited promptly.

District Response: ~~The District's Fiscal Services Department will take concrete steps to ensure this aberration does not happen again.~~

UKIAH UNIFIED SCHOOL DISTRICT
FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

State Award Findings and Questioned Costs

2008-5 Code 40000 State Compliance

Kindergarten Retention Not Supported By "Signed Parental Agreement To Continue" Form (Oak Manor Elementary)

Specific Requirement: For a pupil who continued in kindergarten, the District should have had a "signed parental agreement to continue" form.

Condition: Two of four pupils who continued in kindergarten from 2006/07 to 2007/08 did not have "parental agreement to continue" forms signed by the parents/guardians. These two pupils (student #21206 and student #21226) reportedly dropped out "before forms were signed and received." Fourteen (14) apportionment days (a small, immaterial fraction of an ADA unit) were involved with these two students who dropped out.

Questioned Costs: None.

Context: We examined samples of kindergarten pupils who appear on the lists of kindergarten pupils in 2007/08 and 2006/07.

Effect: A State requirement regarding the issue of kindergarten continuance was not complied with completely. However, no material ADA impact was involved.

Cause: Unknown.

Recommendation: The District should adhere to the State's requirements regarding kindergarten continuance, including obtaining a signed Parental Agreement to Continue form.

District Response: The District administration will make sure that all site-level staff follow the requirements of State law regarding kindergarten continuance.

UKIAH UNIFIED SCHOOL DISTRICT
FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

State Award Findings and Questioned Costs

2008-6 Code 40000 State Compliance

Independent Study (I.S.) – I.S. Master Agreement Signed After Commencement of Independent Study

Specific Requirement: ~~The state has numerous requirements related to independent study (I.S.).~~ One requirement states that signatures on the I.S. agreement must be “affixed prior to the commencement of independent study” by all parties to the agreement. In addition, as a general rule, contemporaneous record-keeping is also required.

Condition: One I.S. master agreement appears to have been signed by the parties one month after the start of the independent study, a violation of the State’s requirement that I.S. agreements be signed prior to the start of the program. The I.S. for student #3260 (Grade 12, Spring Semester) was signed on February 9, 2008, whereas the I.S. program started on January 7, 2008. The independent study teacher was new to I.S. last year, and she reportedly prepared a number of master contracts in advance including beginning and ending semester dates. Despite this error on her part, the District did not claim any extra or unauthorized ADA.

Questioned Costs: None.

Context: We examined and tested for compliance thirty-three (33) samples, out of one hundred forty (140) I.S. master agreements, for the Spring Semester 2008.

Effect: The advance placement of beginning and ending dates violated the contemporaneous record-keeping requirement.

Cause: Unknown.

Recommendation: Contemporaneous record-keeping should be observed in filling out independent study agreements. The dates on these contracts should not be filled out in advance.

District Response: The District administration has already directed staff to carry out this recommendation.

UKIAH UNIFIED SCHOOL DISTRICT
FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

State Award Findings and Questioned Costs

2008-7 Code 40000 State Compliance

Independent Study (I.S.) – High School Independent Study Master Agreement Form

Specific Requirement: The State has numerous I.S. requirements, including the requirement that every written agreement must contain the signatures of all parties to the agreement (the pupil, the pupil's parent or guardian, the certificated employee, and any other person with direct responsibility for assisting the pupil), as well as the requirement that the parties' signatures must be "affixed prior to the commencement of independent study...."

Condition: Unlike the "Written Agreement for Independent Study" form used at the district's elementary school level – which has four "date/Fecha" spaces for all four possible signers, plus a "date" space on the top portion of the form – the Ukiah High School's I.S. master agreement form has just one space for all three or four parties signing the agreement.

Questioned Costs: Not Applicable.

Context: In conducting our test of compliance with State requirements on I.S., we examined the forms used at the elementary and high school levels.

Effect: There is inconsistency in the format between the high school and the elementary level I.S. forms with respect to the signature date.

Cause: Unknown.

Recommendation: In the interest of improved documentation, as well as consistency of format across grade levels, Ukiah High School's "Independent Study Master Agreement" form should be revised so that there are designated spaces clearly allotted for **DATE** of signing on each of the four signature lines.

District Response: The District will revise the form so that it includes a date line for each of the four signatures. The District will make sure that the date information is filled in correctly. The District may not have the new form in place by September, but the District will make sure that those who sign the old forms include dates for their signatures.

UKIAH UNIFIED SCHOOL DISTRICT
FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Federal Award Findings and Questioned Costs

There were no findings relative to federal awards or programs.

UKIAH UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2008

Recommendation

Current Status

2007 – 1 – Fixed Assets - 2000

The management should assign someone in the Business Office the responsibility of maintaining the fixed asset records for all additions and deletions on a regular and timely basis in the future. A cycle of performing physical inventories should be developed that ensures the capital assets at every District site are counted at least once every three years. The District's fixed asset inventory records should be corrected for any differences noted as a result of the physical inventories.

The District is reviewing the inventory procedure and has established a process of inventory tracking involving the business office staff (Accounts Payable) and the IT staff (Technology Specialist). The Director of Fiscal service is reviewing pricing for a district wide inventory update and audit to be performed. This is a costly but necessary process as recommended every three years. The current process allows for update to the inventory system with tag numbers for all equipment purchased in 2007/08. This is ongoing throughout the year and reconciled as the physical inventories are verified. (See 2008-3 Code 3000 Internal Control).

2007 – 2 – KINDERGARTEN CONTINUATION – 40000

The District should revise the P-2 and annual State attendance reports to reflect the disallowed apportionment for the two re-enrolled students. The District should also implement procedures to ensure that the re-enrollment of students in Kindergarten for the second year is supported by the required parental consent form.

The District revised the P-2 and annual State attendance reports to reflect the disallowed apportionment for the two re-enrolled students which was not supported with the parental consent form to continue for Kindergarten for the second year.

2007 – 3 – INSTRUCTIONAL MATERIALS PURCHASES – 40000

The District should transfer the expenditures to another program that would allow for these purchases, or charge the General Fund unrestricted program for the costs.

The District verifies that purchases made from the Instructional Material Realignment funds are on the State approved list. The internal procedure established will ensure this compliance. Supporting documents indicating the purchased materials are on the State approved list is submitted along with the purchase requisition and is approved and verified by the Director of Curriculum and Instruction Services.

2007 – 4 – TEACHER CREDENTIALS – 40000

The District should ensure that all teachers with classes containing more than 20 percent limited English proficient pupils are credentialed to provide instruction to English learner students.

The Ukiah Unified School District has been working with teachers who have been identified as not having EL authorization. The District applied for emergency CLAD authorizations for eligible teachers and has been conducting test preparation classes for teachers to participate in prior to taking the CLAD tests.

UKIAH UNIFIED SCHOOL DISTRICT

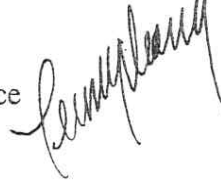
certified mail
4/3/09

Memorandum

Date: March 31, 2009

To: Audit Resolution Staff/School Fiscal Services Division
California Department of Education

From: Tu My Vuong/Director of Fiscal Service
Ukiah Unified School District



Re: Financial Statement Finding 2008-1

In response to the request for audit corrective action letter dated March 18, 2009 pertaining to Fiscal Year ending June 30, 2008, the Ukiah Unified School District P2 and Annual attendance report is enclosed. The certification number corresponding to the report period is below:

P-2 Certification: 6B91935E

Annual Certification: 54E67048

The district site-level staff will update the detailed school site attendance records in a timely manner and adhere to the attendance calendar established. The Fiscal Services staff will provide review and ensure timely updates are completed.

Should you require additional information please contact (707) 468-3306 or tvuong@uusd.net.

Thank you.

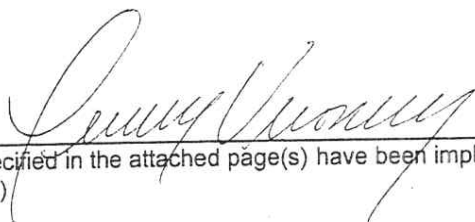
CERTIFICATION OF CORRECTIVE ACTION
Resolution of 2007-08 Audit Findings

March 18, 2009

LEA: Ukiah Unified School District

County: Mendocino

CDS #: 23-65615

Superintendent or Designee's Signature: 
(The Superintendent certifies that all corrective action(s) specified in the attached page(s) have been implemented and assures that the corrective procedures will be used in ensuing years.)

Contact Person: Tu My Vuong Email Address: tvuong@uusd.net

Phone Number: (707) 468-3306 Fax Number: (707) 468-3332

INSTRUCTIONS

On a separate sheet, please describe the specific corrective action which has been taken for each audit finding identified on the Attachment. Be certain that your responses are clear and concise. You will need to provide all documentation that confirms specific actions resolving the problem, i.e., copies of amended reports, certification number of the amended P-2 and Annual Reports of Attendance, corrective action plans, etc.

Please sign and date this Certification of Corrective Action and submit the original certification form, response, and corresponding documentation to:

Audit Resolution Staff
School Fiscal Services Division
California Department of Education
1430 N Street, Suite 3800
Sacramento, CA 95814
FAX: (916) 327-6157

Your response must be submitted **within three weeks of the date of this letter.**

Please let us know if the Superintendent, Chief Business Officer and/or mailing address shown is incorrect. Any updated information should also be reported at <http://www.cde.ca.gov/re/sd>.

☐ No Change

☐ Please note the following change(s):

ATTACHMENT

LEA: Ukiah Unified School District

County: Mendocino

CDS#: 23-65615

<u>Finding Number</u>	<u>Documentation to Support Corrective Action</u>
-----------------------	---

2008-1	Provide certification number of revised P-2 Report of Attendance.
--------	---

Report of School District Attendance

County: Mendocino

Fiscal Year: 2007-08

District: Ukiah Unified

Revision P-2

CDS CODE 23 65615

Certificate Number: 6B91935E

Regular Elementary and High School ADA		Elementary	High School
Kindergarten	A-1	412.71	
Grades 1 - 3	A-2	1,225.59	
Grades 4 - 6	A-3	1,187.70	
Grades 7 - 8	A-4	775.21	
Grades 9 - 12	A-5		1,550.94
Continuation Education	A-6		102.27
Opportunity Schools and Full-Day Opportunity Classes	A-7	0.00	30.95
Home and Hospital	A-8	0.53	13.63
Special Education - Special Day Class	A-9	0.00	0.00
Special Ed - Nonpublic, Nonsectarian Schools [E.C. 56366(a)(7)]	A-10	0.00	0.00
Special Ed - Nonpublic, Nonsectarian Schools - Licensed Children's Institutions	A-11	0.00	0.00
Community Day School (Divisor 70/135/180)	A-12	0.00	0.00
Extended Year ADA (Divisor 175)			
Extended Year Special Education	A-13	0.00	0.00
Extended Year Prog - Nonpublic, Nonsectarian Schools [E.C. 56366(a)(7)]	A-14	0.00	0.00
Extended Year Prog - Nonpublic, Nonsectarian Schools - Licensed Children's Institutions	A-15	0.00	0.00
Regional Occupational Centers/Programs (Divisor 85/135/175)			
	B-1		0.00
Classes for Adults ADA (Divisor 85/135/175)			
Concurrently Enrolled Secondary Students	B-2		0.00
Adults Enrolled, State Apportioned	B-3		529.19
Students 21 Years or Older and Students 19 years or Older Not continuously Enrolled Since Their 18th Birthday, Participating in Full-Time Independent Study	B-4		0.00
Adults in Correctional Facilities	B-5		23.08
ADA Totals (Sum of A-1 through B-5)	B-6	3,601.74	2,250.06

Report of School District Attendance

County: Mendocino

Fiscal Year: 2007-08

District: Ukiah Unified

P-2

CDS CODE 23 65615

Certificate Number: 6B91935E

ADA For Students on Full-time Independent Study Included in Section A (A-1 through A-7, A-9, A-12)	C-1	17.71	89.13
ADA for Students Participating in the CALWORKS Program Pursuant to E.C. 33117.5 Included in B-1	C-2		0.00
ADA for Students Participating in the CALWORKS Program Pursuant to E.C. 33117.5 Included in B-3 and B-4	C-3		0.82
Apprentice Hours Pursuant to Section 3074 of the Labor Code	C-4		0
Grade 1-12 Cumulative Enrollment Related to the ADA Reported in Section A (A-2, A-3, A-4, A-5)	C-5	3,754	1,922
Community Day School - Additional Funds (Divisor 70/135/180)			
Mandatory Expelled Pupils - [E.C. 48915(d)]			
5th Hour ADA	C-6	0.00	0.00
6th Hour ADA	C-7	0.00	0.00
All Other Community Day School Pupils			
5th Hour ADA	C-8	0.00	0.00
6th Hour ADA	C-9	0.00	0.00
After-School Supervised Attendance			
Pupil Hours for 7th Hour	C-10	0	0
Pupil Hours for 8th Hour	C-11	0	0

Certification

County: Mendocino
District: Ukiah Unified
CDS CODE 23 65615

Fiscal Year: FY 2007-08
P-2
6B91935E

Report of Attendance for Pupils Residing in the District

I hereby certify that, to the best of my knowledge and belief, this report is true and correct and all data have been compiled and reported in accordance with state and federal laws and regulations and the instructions for this report.

School District Superintendent:



Date:

07/29/08

County Superintendent of Schools:



Date:

8-6-08

Any inquiries concerning this report should be directed to:

CONTACT NAME Diane Ashoff

PHONE (707) 463-6838 *

FAX (707) 462-1146

E-Mail dashoff@uusd.net

Report of School District Attendance

County: Mendocino

Fiscal Year: 2007-08

District: Ukiah Unified

Annual

CDS CODE 23 65615

Certificate Number: 54E67048

Regular Elementary and High School ADA		Elementary	High School
Kindergarten	A-1	413.77	
Grades 1 - 3	A-2	1,227.77	
Grades 4 - 6	A-3	1,184.46	
Grades 7 - 8	A-4	773.16	
Grades 9 - 12	A-5		1,526.79
Continuation Education	A-6		102.61
Opportunity Schools and Full-Day Opportunity Classes	A-7	0.00	29.81
Home and Hospital	A-8	1.19	15.98
Special Education - Special Day Class	A-9	0.00	0.00
Special Ed - Nonpublic, Nonsectarian Schools [E.C. 56366(a)(7)]	A-10	0.00	0.00
Special Ed - Nonpublic, Nonsectarian Schools - Licensed Children's Institutions	A-11	0.00	0.00
Community Day School (Divisor 70/135/180)	A-12	0.00	0.00
Extended Year ADA (Divisor 175)			
Extended Year Special Education	A-13	0.00	0.00
Extended Year Prog - Nonpublic, Nonsectarian Schools [E.C. 56366(a)(7)]	A-14	0.00	0.00
Extended Year Prog - Nonpublic, Nonsectarian Schools - Licensed Children's Institutions	A-15	0.00	0.00
Classes for Adults ADA (Divisor 85/135/175)			
Regional Occupational Centers/Programs (Divisor 85/135/175)	B-1		0.00
Concurrently Enrolled Secondary Students	B-2		0.00
Adults Enrolled, State Apportioned	B-3		571.10
Students 21 Years or Older and Students 19 years or Older Not continuously Enrolled Since Their 18th Birthday, Participating in Full-Time Independent Study	B-4		0.00
Adults in Correctional Facilities	B-5		24.05
ADA Totals (Sum of A-1 through B-5)	B-6	3,600.35	2,270.34

Report of School District Attendance

Fiscal Year: 2007-08

County: Mendocino

Annual

District: Ukiah Unified

Certificate Number: 54E67048

CDS CODE 23 65615

ADA For Students on Full-time Independent Study Included in Section A (A-1 through A-7, A-9, A-12)	C-1	18.68	88.83
ADA for Students Participating in the CALWORKS Program Pursuant to E.C. 33117.5 Included in B-1	C-2		0.00
ADA for Students Participating in the CALWORKS Program Pursuant to E.C. 33117.5 Included in B-3 and B-4	C-3		0.69
Apprentice Hours Pursuant to Section 3074 of the Labor Code	C-4		0
Grade 1-12 Cumulative Enrollment Related to the ADA Reported in Section A (A-2, A-3, A-4, A-5)	C-5	3,798	1,937
Community Day School - Additional Funds (Divisor 70/135/180)			
Mandatory Expelled Pupils - [E.C. 48915(d)]			
5th Hour ADA	C-6	0.00	0.00
6th Hour ADA	C-7	0.00	0.00
All Other Community Day School Pupils			
5th Hour ADA	C-8	0.00	0.00
6th Hour ADA	C-9	0.00	0.00
After-School Supervised Attendance			
Pupil Hours for 7th Hour	C-10	0	0
Pupil Hours for 8th Hour	C-11	0	0


Certification


County: Mendocino
District: Ukiah Unified
CDS CODE 23 65615

Fiscal Year: FY 2007-08
Annual
54E67048

Report of Attendance for Pupils Residing in the District

I hereby certify that, to the best of my knowledge and belief, this report is true and correct and all data have been compiled and reported in accordance with state and federal laws and regulations and the instructions for this report.

School District Superintendent:  Date: 07/29/08

County Superintendent of Schools:  Date: 8-6-08

Any inquiries concerning this report should be directed to:

CONTACT NAME Diane Ashoff
PHONE (707)463-6838 *
FAX (707)462-1146
E-Mail dashoff@uusd.net



CALIFORNIA
DEPARTMENT OF
EDUCATION

Tu My / Mike

JACK O'CONNELL

STATE SUPERINTENDENT OF PUBLIC INSTRUCTION

March 18, 2009

Lois Nash, Superintendent
Ukiah Unified School District
925 North State Street
Ukiah, CA 95482-3411

Dear Superintendent Nash:

Pursuant to California *Education Code (EC)* Section 41020, the State Superintendent of Public Instruction is responsible for ensuring that local educational agencies (LEAs) have either corrected or developed acceptable plans of correction for all federal and state compliance audit exceptions identified in the annual audit of their books and accounts. Certain types of audit exceptions are cleared by our office and others by the county office of education. In addition, the California Department of Education (CDE) is required by federal regulations to ensure that LEAs take appropriate and timely action to correct audit findings affecting federally funded programs.

During our review of the auditor's findings and recommendations reported in your 2007-08 fiscal year audit report, we determined that Finding(s) 2008-1 have to be cleared by our office. Please let us know of the corrective action you have taken to address the finding(s) or corrective action you are planning to take. Within three weeks from the date of this letter, please send to the following address your response, together with a completed Certification of Corrective Action form (enclosed), and a copy of the documents that evidence the corrective actions:

Audit Resolution Staff
School Fiscal Services Division
California Department of Education
1430 N Street, Suite 3800
Sacramento, CA 95814

If an audit finding requires an adjustment to attendance figures, please report the revised figures on your Second Principal Apportionment (P-2) and/or Annual Apportionment attendance reporting, and indicate on your response the certification number for the revised attendance report(s).

We will determine from the information and documentation you submit if the actions taken appropriately address the audit findings and if we can clear them.

You may also receive separate communication from your county office of education with regard to certain audit findings. County offices of education, rather than the CDE, are responsible for reviewing and resolving LEA audit exceptions related to attendance, inventory of equipment, internal control issues, and other miscellaneous items (*EC* Section 41020(i)(1)), as well as audit exceptions related to use of classroom teacher salaries (*EC* Section 41372), instructional materials program funds, teacher misassignments, information reported on the school accountability report

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3-18-09

Lois Nash, Superintendent
March 18, 2009
Page 2

card, and sufficiency of textbooks and instructional materials (*EC* sections 41020(i)(2) and 41344.4). In addition, a county office of education, pursuant to *EC* Section 41020(k), will require a local educational agency whose audit report includes attendance-related audit exception or exceptions involving state funds to submit appropriate reporting forms for processing by the CDE.

You may appeal apportionment significant findings contained in the audit report. These are findings involving one or more units of average daily attendance or an amount equal to revenue limit funding for one or more units of average daily attendance. Upon receipt of the State Controller's Office (SCO) letter certifying that your audit report met specified standards, you have 60 days to file a written notice of appeal (*EC* Section 41344(d)) with the Education Audit Appeals Panel (EAAP). Or you may request a summary review (*EC* Section 41344.1(d)) by filing a written request with EAAP within 30 days after receiving the SCO letter. A summary review is a voluntary, informal, summary appeals process for audit exceptions that clearly constitute substantial compliance as that term is defined in *EC* Section 41344.1(c). If you request a summary review, you may still appeal the findings included in that review by filing a formal appeal with EAAP within 30 days after receiving a determination of the review.

The timelines and procedures to follow for the appeal process are posted on the EAAP Web site at <http://www.eaap.ca.gov> (Outside Source). If you have any questions on the appeal or summary review process, please contact the EAAP at 916-445-7745.

You may request a plan to repay an apportionment significant audit exception or to pay a penalty arising from an audit exception. To request a repayment plan you must submit a letter to CDE within 90 days of the SCO letter or within 30 days of withdrawing or receiving a determination of a summary review if there is no appeal, or within 30 days of withdrawing or receiving a final determination regarding an appeal (*EC* Section 41344(a)). More information on the audit resolution process, audit appeals, and repayment plans can be found on the CDE's Web site at <http://www.cde.ca.gov/fg/au/ag>.

Thank you for your attention to this matter. If you need further information, please contact Tonya Holmes or Raquel Tucker at 916-323-8068.

Sincerely,



Hermie S. Briones, Administrator
Categorical Allocations and Audit Resolution Office
School Fiscal Services Division

HSB:rt
Enclosure

cc: Paul Tichinin, Superintendent, Mendocino County Office of Education
Chief Business Official (CBO), Ukiah Unified School District